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January 16, 2009

Inspector General

United States

Department *of* Defense



Acquisition of the Air Force Second Generation Wireless
Local Area Network

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Acronyms and Abbreviations

| | |
|-------------------------------|---|
| ACAT | Acquisition Category |
| AFB | Air Force Base |
| ADA | Antideficiency Act |
| AP-70 | Aruba 70 Access Points |
| ASD(NII)/CIO | Assistant Secretary of Defense (Networks and Information Integration)/DoD Chief Information Officer |
| CITS | Combat Information Transport System |
| CCP | Contractor Change Proposal |
| COR | Contracting Officer's Representative |
| DASD(C3ISR&IT Acquisition) | Deputy Assistant Secretary of Defense (Command, Control, Communications, Intelligence, Surveillance and Reconnaissance, and Information Technology Acquisition) |
| DFARS | Defense Federal Acquisition Regulation Supplement |
| DPAP | Defense Procurement and Acquisition Policy |
| ESC | Electronic Systems Center |
| ELSG | Electronic Systems Group |
| ELSW | Electronic Systems Wing |
| FAR | Federal Acquisition Regulation |
| FMR | Financial Management Regulation |
| IGCE | Independent Government Cost Estimate |
| PMO | Program Management Office |
| QASP | Quality Assurance Surveillance Plan |
| RFP | Request for Proposal |
| SAF(FM) | Assistant Secretary of the Air Force (Financial Management and Comptroller) |
| SRD | Systems Requirements Document |



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

January 16, 2009

MEMORANDUM FOR OFFICE OF THE DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION AND TECHNOLOGY)
DIRECTOR, SYSTEM AND SOFTWARE ENGINEERING
DIRECTOR, DEFENSE PROCUREMENT AND ACQUISITION
POLICY
ASSISTANT SECRETARY OF DEFENSE (NETWORK AND
INFORMATION INTEGRATION)/DoD CHIEF INFORMATION
OFFICER
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL
MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)

SUBJECT: Report on Acquisition of the Air Force Second Generation Wireless Local Area
Network (Report No. D-2009-036)

We are providing this report for review and comment. We considered client comments on a draft of the report in preparing the final report.

The Deputy Assistant Secretary of Defense (Command, Control, Communications, Intelligence, Surveillance and Reconnaissance, and Information Technology Acquisition) responded for the Assistant Secretary of Defense (Networks and Information Integration) for Recommendation A.2. His comments were responsive to the intent of the recommendations. The Chief of Staff, Electronic Systems Center responded for the Director, 653 Electronic Systems Wing, and the Director of Contracting, Electronic Systems Center for Recommendations A.4., B., C.1., and C.2. Some of the Chief of Staff, Electronic Systems Center comments were nonresponsive. The Assistant Secretary of the Air Force (Financial Management and Comptroller) comments were responsive to Recommendation C.3. New Recommendations A.1., A.3., and C.4. were added to the final report. The Office of the Deputy Under Secretary of Defense (Acquisition and Technology) Director, Defense Procurement and Acquisition Policy provided comments that were responsive to Recommendation A.1. We request comments on Recommendations A.3., B.1., B.2., B.6., B.7., B.8., B.9., C.1., C.2., and C.4. by February 17, 2009.

Please provide comments that conform to the requirements of DoD Directive 7650.3. If possible, send your comments in electronic format (Adobe Acrobat file only) to AUDACM@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We are unable to accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Questions should be directed to me at (703) 604-9200 (DSN 664-9200) or richard.jolliffe@dodig.mil.

Richard B. Jolliffe
Assistant Inspector General
Acquisition and Contract Management



Results in Brief: Acquisition of the Air Force Second Generation Wireless Local Area Network

What We Did

We reviewed the acquisition of the U.S. Air Force Second Generation Wireless Local Area Network (2nd Gen).

What We Found

The 2nd Gen Program Management Office (PMO) officials did not appropriately manage 2nd Gen as a major automated information system or adequately plan the program's acquisition. The PMO has yet to identify the final cost of 2nd Gen implementation.

The 2nd Gen contracting officer did not implement internal controls over 2nd Gen. She potentially limited competition, accepted supplies and services valued at \$38.1 million that were not inspected for quality or quantity by a Government representative, approved nearly \$798,300 in potential overcharges for contractor travel costs, and did not ensure the task order was fully funded at award.

The 2nd Gen PMO incorrectly funded \$4.3 million of the task order with procurement funds rather than research, development, test, and evaluation funds and funded \$143.4 million in modifications with incorrect FY funds.

What We Recommend

The Deputy Under Secretary of Defense (Acquisition and Technology), Director, Defense Procurement and Acquisition Policy provide oversight and approval of the contracting strategy for the new competition of the 2nd Gen acquisition.

The Assistant Secretary of Defense (Networks and Information Integration)/DoD Chief Information Officer establish an Overarching Integrated Product

Team to review the Combat Information Transport System program, with an emphasis on 2nd Gen.

The Assistant Secretary of the Air Force (Acquisition) terminate the 2nd Gen task order and competitively award new contracts for site survey and installation. Also ensure the 2nd Gen PMO develops a quality assurance surveillance plan, assigns qualified Government contracting officer representatives, and fully funds the 2nd Gen acquisition program.

The Assistant Secretary of Air Force (Financial Management and Comptroller) start an investigation of the potential Antideficiency Act (ADA) violations.

The Air Force Materiel Command Financial Management office terminate the potential ADA investigation contract(s) and have those inherently governmental functions performed by Government employees.

The Director, 653 Electronic Systems Wing (ELSW) correct funding for the 2nd Gen task order.

The Director of Contracting, ESC establish the price to complete the 2nd Gen implementation.

Client Comments and Our Response

Three new recommendations were added to the final report: A.1., A.3., and C.4. The client comments received from the Director, 653 ELSW and the Director of Contracting, ESC stated that they agreed or partially agreed with the recommendations; however, most of their comments were unclear on how they planned to correct the identified issues. As a result, we added Recommendation A.3. to terminate the task order. See the recommendations table on page ii.

Recommendations Table

| Client | Recommendations Requiring Comment | No Additional Comments Required |
|--|--|---------------------------------|
| Office of the Deputy Under Secretary of Defense (Acquisition and Technology) Director, Defense Procurement and Acquisition Policy | | A.1. |
| Assistant Secretary of Defense (Networks and Information Integration)/DoD Chief Information Officer | | A.2. |
| Assistant Secretary of the Air Force (Acquisition) | A.3. | |
| Director, 653 Electronic Systems Wing | C.2. | A.4. * |
| Director of Contracting, Electronic Systems Center | C.1., B.1., B.2., B.6., B.7., B.8., and B.9. | B.3.*, B.4.*, and B.5.* |
| Assistant Secretary of the Air Force (Financial Management and Comptroller) | | C.3. |
| Air Force Materiel Command Financial Management Office | C.4. | |

Please provide comments by February 17, 2009.

* These recommendations are now moot because of Recommendation A.3. to terminate the task order.

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Introduction

Objectives

The overall audit objective was to review the acquisition of the Air Force Second Generation Wireless Local Area Network (2nd Gen). Specifically, we planned to determine whether the program achieved operational capabilities, contracts used to acquire the system supported those capabilities, and the program was implemented within information assurance capabilities. However, we identified material acquisition and contracting internal control weaknesses; therefore, we limited our scope to these areas for this report. We did not review the 2nd Gen program operational or information assurance capabilities.

Review of Internal Controls

We identified material internal control weaknesses for the 2nd Gen task order as defined by DoD Instruction 5010.40, "Managers' Internal Control (MIC) Procedures," January 4, 2006. DoD Instruction 5010.40 states that internal controls are the organization, policies, and procedures that help program and financial managers achieve results and safeguard the integrity of their programs. The report findings explain the materiality of the weaknesses and provide recommendations for improvement. A copy of the report will be provided to the Air Force senior officials responsible for internal controls for the 2nd Gen task order.

Background

This is the first in a series of reports concerning the 2nd Gen program. The 2nd Gen program is the Combat Information Transport System (CITS) Program Management Office's (PMO) standard solution for providing wireless information transport capability to Air Force sites worldwide. The program will provide standardized classified and unclassified wireless services to designated core buildings at 97 Air Force sites. The development of the 2nd Gen was preceded by the First Generation wireless local area network, which was installed at six Air Force pilot sites. According to the 2nd Gen request for proposals (RFP), while First Generation provided secure wireless communications, it had major drawbacks including cost, set up, and maintenance complexity. Because of new wireless local area network technologies that would address the major drawbacks of First Generation, the Air Force awarded the 2nd Gen core task order on August 29, 2005, to General Dynamics Government Systems Corporation for \$1.6 million. The contracting officer for 2nd Gen solicited and awarded the task order (FA8771-04-D-0007-TF03) as a firm-fixed-price task order under the Air Force Network-Centric Solutions indefinite-delivery, indefinite-quantity contract. The contracting officer has modified the 2nd Gen task order value to more than \$144 million and has yet to determine the final price of the task order.

The 2nd Gen program is organized and funded under the Information Transport System level of the Air Force's CITS program. CITS provides ground infrastructure and modernization for communications and information infrastructure linking in garrison

combat support command, control, communications, computers, and intelligence systems. Information Transport System is the Air Force's implementation of a high-speed network consisting of ethernet and synchronous optical networking switches and single mode fiber that provides a physical connection to all buildings, housing, and operational or mission support functions on 100 Air Force sites worldwide.

The RFP stated that 2nd Gen would be installed in 100 Air Force sites worldwide. The contracting officer has since removed three sites from the task order through task order modifications, leaving 97 sites for installation. As of April 2008, the contractor had completed installation of 2nd Gen at 11 of the 97 Air Force sites.

2nd Gen Expansion Task Order

The PMO entered into a second task order (FA8771-04-D-0009-RS70) under the Air Force Network-Centric Solutions contract on February 7, 2008, to expand 2nd Gen coverage beyond the primary areas of installation at the core buildings at 97 Air Force sites. This coverage will replace all existing legacy wireless access points in areas not serviced by the core task order. The solicitation documentation indicates that the second task order for the expansion of the system will be implemented in the same manner as the core task order. Therefore, we will include the 2nd Gen expansion task order in the follow-on audit project.

Network-Centric Solutions Contract

The Air Force Network-Centric Solutions contract is a multiple-award, indefinite-delivery, indefinite-quantity product, service, and total solutions contract. It has a \$9 billion order ceiling and a base contract term of 3 years with two 1-year options. The contract provides the Air Force, DoD, and other Federal agencies a primary source of networking equipment and system engineering, installation, integration, operations, and maintenance. The Air Force Chief Information Officer issued an action memorandum stating the Air Force is required to use the Network-Centric Solutions contract for all networking and information technology products and service requirements.

Eight businesses (Multimax, Telos, Centech, NCI, Northrop Grumman, General Dynamics, Lockheed Martin, and Booz Allen Hamilton) were awarded Air Force Network-Centric Solutions contracts in September 2004. The contract is centrally managed by the 754th Electronic Systems Group at the Maxwell Air Force Base (AFB)-Gunter Annex in Montgomery, Alabama. However, the Air Force, other DoD Components, and other Federal agencies have decentralized ordering authority. Federal Acquisition Regulation (FAR) Subpart 16.505, "Ordering," describes the requirements for ordering under an indefinite-delivery, indefinite-quantity contract and requires the contracting officer to provide a fair opportunity to all contractors when soliciting a task order. Once the contracting officer selects the winning contractor, she or he issues the task order under that contractor's specific Air Force Network-Centric Solutions contract.

Finding A. Program Management Office Acquisition Planning

The 2nd Gen PMO at the 753 Electronic Systems Group (ELSG) did not appropriately manage 2nd Gen as a major automated information system or adequately plan the program's acquisition. This occurred because the PMO relied on the Combat Information Transport System's PMO to follow the Defense acquisition regulations. The 2nd Gen PMO also did not develop an acquisition plan, site-specific requirements for survey and installation, a realistic independent Government cost estimate (IGCE), or a realistic schedule. As a result, 2nd Gen lacked the adequate oversight and documentation for a major automated information system. In addition, for the 11 completed sites, the task order cost \$3.8 million more than the PMO initially contracted for and \$16.8 million more than the PMO initially estimated in the IGCE. An additional 13 sites that are in progress already cost \$3.5 million more than the PMO initially contracted for and \$19.4 million more than the PMO initially estimated. The PMO also did not adhere to the original schedule for the 2nd Gen task order and as of April 2008,¹ the contractor needed to complete 86 sites in the next 14 months to meet the scheduled June 2009 completion date.

Acquisition of Information Technology

DoD Directive 5000.1, "Defense Acquisition System," May 12, 2003, states that the primary objective of Defense acquisition is "to acquire quality products that satisfy user needs with measurable improvements to mission capability and operational support, in a timely manner, and at a fair and reasonable price." DoD Directive 5000.1 defines an acquisition program as "a directed, funded effort that provides a new, improved, or continuing materiel, weapon, information system, or service capability in response to an approved need." An acquisition category is designated for each acquisition program to establish decision authority at the appropriate level.

According to the Defense Acquisition Management Framework in DoD Instruction 5000.2, "Operation of the Defense Acquisition System," May 12, 2003, "the program manager and the Milestone Decision Authority should exercise discretion and prudent business judgment to structure a tailored, responsive, and innovative program." The Instruction states an acquisition program must be categorized based on its location in the acquisition process, its dollar value, and whether it is of special interest to the Milestone Decision Authority. Automated information systems are categorized as either acquisition category (ACAT) IA (major automated information systems) or ACAT III. The threshold for an ACAT IA system is expected program costs in any single year in excess of \$32 million, total program costs in excess of \$126 million, total life-cycle costs

¹ We conducted field work on the audit from November 2007 through April 2008 and issued our draft report on July 3, 2008. The last of the client comments to the draft report were provided on September 30, 2008. We received additional comments on January 8, 2009 for final report recommendation A.1. We reviewed and developed our response to the client comments from September 2008 until January 2009. We held discussions with the client after draft report issuance; however, we did not verify the information provided in their comments.

in excess of \$378 million, or Milestone Decision Authority designation as special interest. The Instruction does not establish a dollar threshold for ACAT III programs but states that those programs are less than the threshold for an ACAT IA. The Instruction assigns oversight responsibilities to the Assistant Secretary of Defense for Networks and Information Integration/DoD Chief Information Officer [ASD(NII)/CIO] for ACAT IA programs and the DoD Component Acquisition Executive for ACAT III programs. The Instruction Enclosure 3 also outlines the statutory and regulatory documents pertaining to acquisition programs.

FAR Part 2, “Definitions,” defines information technology as any equipment, or interconnected system or subsystem of equipment that is used in the automatic acquisition, storage, analysis, evaluation, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by the agency.

Defense Acquisition Category

The Air Force Air Staff directed the CITS PMO to develop a wireless standard solution and make a design (and list of standard equipment) available for major commands. The CITS PMO then developed the Systems Requirements Document (SRD),² Revision 7, April 1, 2005, to describe the functional performance requirements and system constraints for use as a point-of-departure for wireless CITS information transport. The SRD states that wireless technology permits the active transfer of information worldwide. The 2nd Gen system was developed in response to the Air Staff directive and designed to meet the requirements in the SRD. It became CITS’s wireless solution for Air Force bases worldwide.

As of April 2008, the 2nd Gen PMO had funded approximately \$145 million for the 2nd Gen task order for the core building areas; it has yet to establish the final price of 2nd Gen. In addition, the 2nd Gen expansion task order, issued February 7, 2008, has a ceiling value of approximately \$119 million. Therefore, the current acquisition value, approximately \$264 million in total program costs for 2nd Gen, meets the DoD Instruction 5000.2 definition of an ACAT IA. The ASD(NII)/CIO should convene an Overarching Integrated Product Team and perform a comprehensive review of the CITS program, with emphasis on 2nd Gen. This review should determine whether the 2nd Gen program followed the acquisition process outlined in DoD Directive 5000.1 and DoD Instruction 5000.2 and make corresponding recommendations if the team finds deficiencies.

Acquisition Management

The 2nd Gen PMO did not manage the 2nd Gen acquisition as an ACAT IA program. Instead the PMO relied on the CITS PMO, which 2nd Gen falls under, to follow the Defense acquisition regulations. The 2nd Gen program officials did not prepare any of the statutory and regulatory documents identified in Enclosure 3 of DoD Instruction 5000.2 pertaining to acquisition programs. Specifically, the 2nd Gen PMO

² The SRD defines the set of requirements and constraints for the development of the second generation of wireless local area networks.

did not prepare an Initial Capabilities Document, an Analysis of Alternatives, an Acquisition Strategy, Capabilities Development Document, or a Capabilities Production Document. Instead, 2nd Gen program officials relied on the CITS acquisition program's documentation to cover 2nd Gen; however, the initial CITS acquisition documents did not contain specific information for the 2nd Gen system. Nonetheless, the 2nd Gen PMO awarded a task order through the Air Force Network-Centric Solutions contract without establishing a framework to translate the mission need and user requirements into a well-managed acquisition program.

Acquisition Planning and Requirements

The 2nd Gen PMO did not perform adequate acquisition planning, did not establish site-specific requirements for survey and installation, and did not have a definitive list of core building requirements. FAR Subpart 7.1, "Acquisition Plans," requires that agencies perform acquisition planning for all acquisitions. Acquisition planning should integrate the efforts of personnel responsible for significant aspects of the acquisition and ensure the Government meets its needs in the most effective, economical, and timely manner prior to issuing a contract. An acquisition plan addresses all the technical, business, management, and other significant considerations that will control the acquisition including cost, schedule, and performance constraints. Defense Federal Acquisition Regulation Supplement (DFARS) Subpart 207.1, "Acquisition Plans," requires program managers to prepare a written acquisition plan for acquisitions for production or services when the total cost of all contracts for the acquisition program is estimated at \$50 million or more for all years.

The PMO did not develop an adequate 2nd Gen acquisition plan even though it had obligated approximately \$145 million as of April 2008. PMO officials stated that their acquisition planning was documented in the RFP, which included the SRD and the implementation plan. We reviewed all 12 revisions of the RFP and found none included the business, management, and other significant considerations as required by FAR Subpart 7.1 and as such did not qualify as an acquisition plan.

The 2nd Gen PMO did not adequately establish the site-specific requirements for the 2nd Gen survey and installation before awarding the 2nd Gen task order. The SRD defines the set of system and performance requirements for the development of the 2nd Gen wireless design solution. However, the RFP, SRD, and the implementation plan did not address the site-specific requirements for the survey and installation of the 2nd Gen system. Instead, the SRD provided a very broad definition for the user populations and types of buildings that would be supported by 2nd Gen. The SRD stated that the wireless local area network should support the Air Force base population in category 1, 2, and 3 core buildings. The 2nd Gen RFP version 4 stated the contractor should assume the site survey will include the entire base; however, the installation of wireless will only include a core management suite and key functional areas as defined in the implementation plan (approximately 25 percent of total base). The implementation plan included in the RFP outlined the core functional areas to receive 2nd Gen wireless systems, but did not definitize site-specific requirements.

The Air Force Communication Agency is the lead command for the CITS program and all of the systems underneath CITS, including 2nd Gen. As lead command, the Air Force Communication Agency is responsible for creating a definitive list of core building requirements that would direct the 2nd Gen installation process. However, the Air Force Communications Agency did not definitize requirements for the 2nd Gen core buildings until 2 years after the contracting officer awarded the 2nd Gen task order. While the RFP addressed the technical system requirements through the SRD, it established the type of users and buildings requiring 2nd Gen in very broad categories and did not provide a definitized list of functional core areas covered by 2nd Gen. The PMO did not adequately define the 2nd Gen requirements prior to award of the 2nd Gen task order. Therefore, the PMO should not continue with the implementation of the 2nd Gen system at the remaining Air Force sites until it develops the site-specific requirements for site survey and installation of those sites.

Cost Controls

FAR Subpart 16.505 requires that orders made under an indefinite-delivery, indefinite-quantity contract clearly describe all services to be performed or supplies to be delivered so that the full cost or price for the performance of the work can be established when the order is placed. The PMO did not capture the acquisition costs as part of the acquisition planning; as a result, the final cost for the firm-fixed-price task order is unknown and contract risk is solely on the Government. As such, the task order is not a firm fixed price, but will be subject to change until the real requirements are known. Specifically, the 11 completed sites cost \$3.8 million more than initially contracted for by the PMO and \$16.8 million more than initially estimated by the PMO in the IGCE. An additional 13 sites that are in progress already cost \$3.5 million more than initially contracted for by the PMO and \$19.4 million more than initially estimated by the PMO. For example, survey and installation costs of 2nd Gen at McConnell AFB, Kansas, increased approximately 25 percent (\$1,237,214 to \$1,543,686) more than initially contracted for by the PMO and 480 percent (\$321,120 to \$1,543,686) more than initially estimated by the PMO. This occurred for three reasons.

First, the PMO proceeded with the 2nd Gen task order without definitized requirements.

Second, the 2nd Gen PMO did not develop an adequate IGCE. An IGCE establishes the costs or prices of the proposed acquisition based on experience with similar acquisitions, market research, or best practices. The IGCE is used:

- by the PMO to reserve funds for the contract as part of acquisition planning,
- by the contracting officer to compare costs or prices proposed by offerors, and
- to establish the Government's pre-negotiation position.

The 2nd Gen IGCEs made numerous assumptions that were not based on experience, market research, or best practices about cost and quantities for products, labor, and travel. Additionally, we found the IGCEs had numerous mathematical mistakes that resulted in \$4.4 million in underestimated costs.

Finally, the PMO did not adequately identify the cost of site survey and installation before task order award. Instead, the PMO established assumptions for the costs for supplies and services even though, according to the PMO, each Air Force site is unique. Specifically, the number of core buildings, the physical layout of each building, and the number of users in each building vary from site-to-site. Since the site-specific requirements for supplies and services determine the site survey and installation costs, these costs were unknown before task order award. The contractor determines the final cost for each site by the number of core buildings and the amount of supplies and services used to design and install each site's 2nd Gen system in those buildings.

The contract risk is solely on the Government for this task order because it does not really represent a firm fixed price. The PMO and the contracting officer rely on the contractor to identify the cost of each site's 2nd Gen system. Specifically, each site's 2nd Gen system's cost is determined by the quantities of supplies and services used to install 2nd Gen at each site. The PMO should not continue with the implementation of the 2nd Gen system at the remaining Air Force sites until it establishes a fixed price for the 2nd Gen contract and develops the site-specific requirements for each site.

Schedule Controls

FAR Subpart 7.105, "Contents of Written Acquisition Plans," requires that a written acquisition plan describe the basis for establishing delivery or performance period requirements. FAR Subpart 11.4, "Delivery or Performance Schedules," states the time of delivery or performance is an essential contract element and shall be clearly stated in solicitations. The PMO did not adhere to the schedule for the 2nd Gen task order. The RFP stated that the anticipated period of performance was 2 years and 4 months, but we were unable to determine the basis for that performance period. After task order award on August 29, 2005, the PMO revised the completion date to June 2010. Subsequently, the PMO accelerated the 2nd Gen implementation by 12 months to complete by June 2009. Installation of the 2nd Gen system at the 97 Air Force sites started in July 2006. As of April 2008, the contractor had completed only 11 of the 97 sites, taking on average 11 months per site, with some sites taking as little as 7 months and some as long as 17 months. As of April 2008, the contractor would need to complete 86 sites in the next 14 months to meet the June 2009 completion date. In our opinion, at the current rate of installation, the 2nd Gen task order schedule is unachievable and could result in additional costs to the 2nd Gen task order. In addition, schedule delays in the 2nd Gen core task order could affect the 2nd Gen expansion task order installation schedule.

PMO Performance

The 2nd Gen PMO did not manage 2nd Gen acquisition as an ACAT IA program, did not perform adequate acquisition planning, has yet to establish site-specific requirements, apply cost controls, and comply with their implementation schedule. The PMO has a lack of internal controls and supported inadequate oversight and contracting actions. We believe the interest of the taxpayer is not being protected by this PMO.

Recommendations, Client Comments, and Our Response

In this report we added two new recommendations and deleted one. Therefore, the draft audit report recommendations are renumbered. To assist the reader we noted the original draft report recommendation number in parentheses.

New Recommendations

Recommendation A.1. for the Deputy Under Secretary of Defense (Acquisition and Technology) Director, Defense Procurement and Acquisition Policy (DPAP) was added to provide Office of the Secretary of Defense oversight, review, and approval of the 2nd Gen program's new contract strategy and to ensure it complies with Federal and DoD requirements. The Director, DPAP should coordinate with the ASD(NII)/CIO. We received comments from the Director, DPAP on January 8, 2009.

Recommendation A.3. for the Assistant Secretary of the Air Force (Acquisition) recommends that the 2nd Gen task order (FA8771-04-D-0007-TF03) be terminated. It is not clear, based on the Chief of Staff, ESC comments, that the restructure of the 2nd Gen task order will result in a transparent, auditable, and independent contracting process. Additionally, the Assistant Secretary of the Air Force should ensure that any new task orders for the 2nd Gen system maintain a performance-based contract environment that fully complies with Federal laws and DoD policies. The draft report recommendations to suspend task order FA8771-04-D-0007-TF03 are moot.

The Assistant Secretary of the Air Force (Acquisition) should work with the Deputy Under Secretary of Defense (Acquisition and Technology) Director, DPAP and the ASD(NII)/CIO to ensure that the 2nd Gen program fully complies with Federal laws and DoD policies for acquisition, contract, and funds management and administration.

Recommendation C.4. for the Air Force Materiel Command Financial Management office recommends that contract(s) for the potential ADA investigations, case numbers P08-09 and P08-10, be terminated immediately. While reviewing the draft report response to Recommendation C.3., we discovered that the Air Force Materiel Command Financial Management office directed two contractors to conduct the preliminary Antideficiency Act (ADA) investigation, an inherently governmental function. As a result we added Recommendation C.4.

Although we added Recommendation A.3. to terminate task order FA8771-04-D-0007-TF03 despite making recommendations to suspend the task order moot, we included those draft report recommendations, client comments, and our responses in this report. These can be found in Recommendation A.4. and Finding B recommendations.

Deleted Draft Report Recommendation

Draft report Recommendation A.1.c. for ASD(NII)/CIO was deleted in response to the Deputy Assistant Secretary of Defense (Command, Control, Communications,

Intelligence, Surveillance and Reconnaissance, and Information Technology Acquisition) [DASD(C3ISR&IT Acquisition)] response to the draft report. Draft report Recommendations A.1.a. and A.1.b. are now final report Recommendations A.2.a. and A.2.b. Draft report Recommendation A.2. is now final report Recommendation A.4.

Recommendations

A.1. (New) We recommend the Deputy Under Secretary of Defense (Acquisition and Technology) Director, Defense Procurement and Acquisition Policy approve the Air Force contract strategy to complete the Second Generation Wireless Local Area Network program after task order FA8771-04-D-0007-TF03 has been terminated to ensure that the new contract(s) fully comply with Federal contract laws and DoD policies. When completed, the director should provide our office a plan of action with completion milestones.

Client Comments

The Director, DPAP partially agreed. His January 8, 2009, response noted that the Assistant Secretary of the Air Force (Acquisition) directed the PEO on December 4, 2008, to:

- realign funding to correct the identified fiscal issues;
- to restructure the 2nd Gen contract so that it required 2 fixed price task orders for each base, one for site survey and one for installation;
- and to issue a new request for proposals to complete installation at 3 bases, site surveys at 7 bases, final design and installation at 17 bases, and site surveys and individual installation at the remaining 40 bases.

He also stated that he would ensure that an effective contract strategy has been implemented and that a plan of action and milestone is sent to the DoD Office of Inspector General. In addition, he stated that it simply may not make fiscal sense for work already commenced at an installation to be terminated.

The Director, DPAP further expressed concern that the contracting officer reported up a program office chain of command instead of a contracting chain of command. He stated that this is consistent with the Air Force wing, group, and squadron contracting structure. He further stated that this structure does not provide adequate oversight of contracting officer actions nor does it provide for adequate checks and balances in the acquisition process.

Our Response

The Deputy Under Secretary of Defense (Acquisition and Technology) Director, DPAP's comments were responsive.

A.2. (Draft Report Recommendation A.1.) We recommend the Assistant Secretary of Defense (Networks and Information Integration)/DoD Chief Information Officer take the following actions.

- a. Within 3 months of this report establish an Overarching Integrated Product Team to perform a comprehensive review of the Combat Information**

Transport System program, with an emphasis on the Second Generation Wireless Local Area Network program, to determine whether the Air Force Electronic Systems Center followed the acquisition process outlined in DoD Directive 5000.1, “Defense Acquisition System,” and DoD Instruction 5000.2, “Operation of the Defense Acquisition System.”

Client Comments

The DASD(C3ISR&IT Acquisition), responding for the ASD(NII)/CIO, partially agreed with the recommendation. The DASD(C3ISR&IT Acquisition) stated that his office did not have enough information to perform a comprehensive review of the 2nd Gen program because 2nd Gen is part of the delegated ACAT IA Combat Information Transport System (CITS). The DASD(C3ISR&IT Acquisition) stated that the Office of the Deputy Under Secretary of Defense (Acquisition and Technology), Director, System and Software Engineering has agreed to conduct a program support review on CITS, with a special emphasis on 2nd Gen, to identify independent actionable recommendations to improve execution of the program. The program support review was scheduled to begin in September 2008 and should be completed in December 2008. The DASD(C3ISR&IT Acquisition) stated his office will review the results of the program support review and provide the report to the DoD Office of Inspector General. Subsequently, the DASD(C3ISR&IT Acquisition) office will determine the appropriate actions it will take and submit a plan of action and provide completion milestones to the DoD Office of Inspector General. The DASD(C3ISR&IT Acquisition) office completed the program support review on December 13, 2008. The Overarching Integrated Product Team will be held February 6, 2009 to discuss the results of the program support review and make a recommendation for the appropriate oversight.

Our Response

The DASD(C3ISR&IT Acquisition) comments were responsive.

b. Identify and initiate corrective actions of all deficiencies identified by the Overarching Integrated Product Team to fully comply with DoD Directive 5000.1, “Defense Acquisition System,” and DoD Instruction 5000.2, “Operation of the Defense Acquisition System.”

Client Comments

The DASD(C3ISR&IT Acquisition) partially agreed. He stated that his office will determine an appropriate course of action once the program support review results are completed. Thereafter, his office will provide the DoD Office of Inspector General with a plan of action and completion milestones.

Our Response

The DASD(C3ISR&IT Acquisition) comments were responsive.

A.3. (New) We recommend the Assistant Secretary of the Air Force (Acquisition) terminate the Second Generation Wireless Local Area Network task order

FA8771-04-D-0007-TF03 and complete the following actions to prepare for the new contracts.

- a. Identify the Air Force sites that do not have a completed Air Force Form 1261, “Communications and Information Systems Acceptance Certificate,” for the Second Generation Wireless Local Area Network task order FA8771-04-D-0007-TF03.**
- b. Compete and award a new and separate contract to complete the remaining site surveys for the Air Force sites identified under the Second Generation Wireless Local Area Network task order FA8771-04-D-0007-TF03 so that the quantities and types of core buildings and the unique requirements for the core buildings for each of the Air Force sites can be identified.**
- c. Coordinate with the Assistant Secretary of Defense (Networks and Information Integration)/DoD Chief Information Officer and gain approval from the Deputy Under Secretary of Defense (Acquisition and Technology) Director, Defense Procurement and Acquisition Policy for the new Second Generation Wireless Local Area Network contract strategy.**
- d. Based on the site surveys, compete and award a new and separate contract to complete the remaining installations of Second Generation Wireless Local Area Network at the Air Force sites identified under the Second Generation Wireless Local Area Network task order FA8771-04-D-0007-TF03.**
- e. Ensure that the Second Generation Wireless Local Area Network Program Management Office develops a quality assurance surveillance plan for the new task orders.**
- f. Ensure that the Second Generation Wireless Local Area Network Program Management Office formally designates qualified Government contracting officer representatives for the new task orders.**
- g. Ensure that the Second Generation Wireless Local Area Network Program Management Office fully funds the Second Generation Wireless Local Area Network acquisition program using the correct appropriation and fiscal year funds.**

A.4. (*Draft Report Recommendation A.2.*) We recommend the Director, 653 Electronic Systems Wing suspend the Second Generation Wireless Local Area Network program until he completes the following actions.

- a. Establish the quantities and types of core buildings and the unique requirements for the core buildings for each of the remaining Air Force sites.**

Client Comments

The Chief of Staff for ESC, responding for the Director, 653 Electronic Systems Wing (ELSW), agreed. The chief of staff stated that the Director, 653 ELSW had suspended the 2nd Gen task order to address the appearance of undefined requirements caused by the amount of Cost Change Proposals (CCP) per base. According to the chief of staff, ESC will restructure the task order to ensure the quantities and types of core buildings will be fully captured at each base before starting 2nd Gen installation.

The chief of staff stated at the time the order was awarded, the Air Force Communications Agency and the 753 ELSG did not have a definitive list of buildings for each site, but used a core building area coverage model. The chief of staff stated that the site-specific requirements were defined in the RFP using this coverage model. The coverage model estimated the total number of buildings at 25 percent of the Information Transport System core buildings; analysis from 31 bases showed the project has averaged 28 percent coverage. According to the chief of staff, the accuracy of the coverage model demonstrates that site requirements were adequately defined within the RFP at the time of the fair opportunity competition.

Finally, the chief of staff stated that the PMO and contracting officer are restructuring the order to better define and estimate the cost of the site-specific requirements and negotiate firm fixed prices for each base's site surveys and installation efforts. He stated the PMO will conduct Government pre-site surveys for each base; this data would be provided to the current contractor and then used to negotiate a complete firm fixed price for the base site survey. According to the chief of staff, following the completion of the base site survey, the installation effort will be negotiated as a firm fixed price; this sequencing will ensure the base-specific requirements are firmly established. He stated that, as part of the restructure, a maximum delivery order value will be established along with contingent liabilities as required in accordance with Defense Finance and Accounting Service Interim Guidance on Accounting for Commitments.

Our Response

The chief of staff comments were nonresponsive. The chief of staff stated that the 2nd Gen task order has been suspended and the PMO will conduct Government pre-site surveys for each base to establish the quantities and types of core buildings and the unique requirements for each base. The chief of staff's restructure does not make substantial changes to the current process. The task order's restructure limits competition for multiple new negotiations because they will all be executed by the existing contractor under the firm-fixed-price task order, FA8771-04-D-0007-TF03. Limiting competition and not making substantial changes to the current processes will not correct the previously flawed acquisition, contracting, and funding actions. Finally, the chief of staff did not provide enough information to determine whether the restructure will be fully transparent, auditable, and independent of the existing contractor. Therefore, terminating task order FA8771-04-D-0007-TF03 and coordinating with and receiving the Deputy Under Secretary of Defense (Acquisition and Technology) Director, DPAP oversight, review, and approval of the Air Force contracting strategy should ensure compliance with Federal laws and DoD contracting policies to complete 2nd Gen at the remaining Air Force sites.

Additionally, the chief of staff stated that the restructure would establish a maximum delivery order value along with contingent liabilities as required in accordance with Defense Finance and Accounting Service Interim Guidance on Accounting for Commitments. The guidance, dated October 2003, states that fixed-price contracts with escalation, price redetermination, adjustments, or incentive provisions can have a maximum contract amount known as a contingent liability. However, the contracting officer for 2nd Gen solicited and awarded task order FA8771-04-D-0007-TF03, as firm-fixed-price, not a fixed-price contract with escalation, price redetermination, adjustments, or incentives. Therefore, the Defense Finance and Accounting Service Interim Guidance on Accounting and Commitments for a maximum task order value along with contingent liabilities does not apply to task order FA8771-04-D-0007-TF03.

b. Establish a fixed price for the Second Generation Wireless Local Area Network task order.

Client Comments

The Chief of Staff for ESC, responding for the Director, 653 ELSW, agreed. He stated that the PMO and contracting officer are restructuring the task order to better define and estimate the cost of the site-specific requirements and negotiate with the current contractor firm fixed prices for each base's site surveys and installation. As part of the restructure, a maximum task order value will be established along with contingent liabilities as required in accordance with Defense Finance and Accounting Service Interim Guidance on Accounting for Commitments. The chief of staff estimated completion in September 2009.

Our Response

The chief of staff comments were nonresponsive. As previously stated, the 2nd Gen restructure is not significantly different from the current processes used to acquire the 2nd Gen system at each site. The chief of staff should ensure the 2nd Gen PMO has established defined requirements and a reliable Government cost estimate before entering into new task orders for site survey and installation of the 2nd Gen system. Further, the chief of staff should ensure there is appropriate funding to complete each site and that those funds fully comply with appropriation laws and funds management requirements.

FAR 16.202-1, "Firm-fixed-price contract," states that a firm-fixed-price contract provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract. This contract type places upon the contractor maximum risk and full responsibility to control costs. The previous contracting actions did not place maximum risk or full responsibility on the contractor but instead on the Government because it paid whatever the contractor submitted in costs. During a meeting with DPAP personnel, ESC personnel stated that the administration of the task order has been more in keeping with a time-and-materials type contract. Additionally, they stated that the strategy to modify the task order to add the cost of site installation after award treated the task order as a requirements contract, a type of indefinite-delivery

contract, even though the task order was placed under the Air Force Network-Centric Solutions indefinite-delivery, indefinite-quantity contract.

As stated in our response to Recommendation A.4.a., contingent liabilities do not apply to 2nd Gen and the chief of staff cannot provide funding flexibility by adding contingent liabilities that were not included in the firm-fixed-price task order FA8771-04-D-0007-TF03.

c. Fully fund the Second Generation Wireless Local Area Network program's firm-fixed-price task order for all remaining Air Force sites using the correct appropriation and fiscal year funds.

Client Comments

The Chief of Staff for ESC, responding for the Director, 653 ELSW, agreed. The chief of staff stated that the independent review team did not agree with the DoD Office of Inspector General that the full 2nd Gen task order should be funded with FY 2005 funds. According to the chief of staff, each site fielded under this project is a separate, fully usable end item and is therefore a new delivery versus a modification to a prior item. He states in this instance, full funding/bona fide need concepts and DoD Financial Management Regulation (FMR) Volume 3, Chapter 8, paragraph 080511 apply and therefore, full funding can be met by funding each base with a single fiscal year appropriation. The chief of staff stated that the PMO will implement the ESC independent review team's corrective action of realignment of funds in order to meet the full funding and bona fide needs rule by base. The chief of staff estimated completion by September 2009.

Our Response

The chief of staff comments were nonresponsive. The chief of staff justification for funding each site with the appropriation year in which the work for each site was started is not correct. All 97 bases were bundled under firm-fixed-price task order FA8771-04-D-0007-TF03 and should have been fully funded when the task order was awarded on August 29, 2005. The chief of staff stated that each site is a separate and fully usable end item and should be funded with a single fiscal year appropriation. However, neither the PMO nor the contracting officer funded the task order by base; instead the task order was funded by modification, with each modification affecting multiple bases and being funded with current or previous year funds. In addition, the contracting officer complicated the Government's abilities to track funding for each individual base when she moved \$20.9 million associated with supplies and warranties for installation network material, secure Internet protocol routers, and radius servers from their associated contracting line items for 84 sites to one overarching contract line item labeled "material." We could not determine from task order files and our review of the DD Forms 250 how the contracting officer tracks the inspection and acceptance of the supplies for the \$20.9 million "material" contract line item or for which bases those supplies were installed. With the award of new task orders, the chief of staff will have an opportunity to correct the inconsistencies with the type of task order awarded versus the actual administration and funding of the task order.

Finding B. Contracting Award and Administration

The contracting officer at the 38th Engineering Installation Group did not adequately award or administer the 2nd Gen task order in the best interest of the Government and did not implement the required internal controls over the 2nd Gen task order. This occurred because the contracting officer limited competition, accepted supplies and services that a Government representative had not inspected for quality or quantity, and approved potential contractor overcharges for travel costs and unallowable fees. As a result, the contracting officer accepted supplies and services valued at \$38.1 million before inspection, approved supplies valued at \$25.8 million that the contractor retained for use after acceptance and did not modify the task order listing the supplies as Government-furnished property, and approved nearly \$798,300 in potential travel and fee overcharges by the contractor.

Contract Administration and Internal Controls

The contracting officer at the 38th Engineering Installation Group did not properly award or administer the 2nd Gen task order. Specifically, she limited competition by not providing all the Air Force Network-Centric Solutions contractors a fair opportunity to compete for 97.1 percent of the contract's value or \$140.7 million³ in task order modifications and by providing conflicting and perplexing information in the RFP. She also did not administer the 2nd Gen task order as a firm-fixed-price contract. In addition, the contracting officer did not implement adequate internal controls over the 2nd Gen task order. Specifically, the contracting officer accepted supplies and services that were not inspected for quality or quantity, was not prudent in protecting Government property, did not prepare a quality assurance surveillance plan (QASP), did not designate in writing a properly trained contracting officer's representative (COR), and allowed the contractor to potentially overcharge for travel costs. In addition, the contracting officer issued a firm-fixed-price task order to acquire the 2nd Gen system as individual supplies and services with the associated labor rates. However, after site installation the 2nd Gen system is inspected, tested, and accepted as a system, and becomes part of that site's infrastructure to manage and maintain.

Limited Competition

FAR Subpart 16.505, "Ordering," states that "the contracting officer must provide each awardee a fair opportunity to be considered for each order exceeding \$3,000 issued under multiple delivery-order contracts or multiple task-order contracts." The contracting officer limited competition by not providing all Air Force Network-Centric Solutions contractors (awardees) a fair opportunity to compete for the survey and installation portion of the 2nd Gen task order. According to the price competition memorandum, the only prices evaluated for the initial task order award were for the design solution, field service evaluation site, labs, and site survey. However, the contracting officer awarded the initial task order just for the development of 2nd Gen design solution and implemen-

³As of April 2008.

tation at the field service evaluation site and two labs. Subsequently, the contracting officer modified the 2nd Gen task order to incorporate the winning contractor's proposed costs for survey and installation of its 2nd Gen design solution at all other Air Force sites. This not only limited competition, it also did not provide the other Air Force Network-Centric Solutions contractors a fair opportunity to compete for 97.1 percent of the contract's value or \$140.7 million in task order modifications for the survey and installation portion of the contract. By not completely defining the requirements for survey and installation at all sites before task order award, only the contractor that won the award could receive the additional work added to the order. As a result, competition was not adequate for the majority of the work on the 2nd Gen task order.

The PMO made conflicting decisions on the implementation of Air Force wireless local area network systems. According to the contracting officer, she issued one task order for design that was then modified to incorporate installation for the 2nd Gen system because the PMO wanted to avoid the problems it had during the acquisition of the First Generation Wireless Local Area Network. According to the PMO, these problems were caused because one contractor was used for design and another for installation. As a result, the PMO and the contracting officer agreed to have one task order so that time and money would be saved with one contractor performing both design and installation. However, the 2nd Gen PMO seemed to reverse its implementation decision on February 7, 2008, when the PMO entered into a task order for the expansion of 2nd Gen with a different contractor from the one that designed and is currently installing 2nd Gen. The expansion task order will replace all existing legacy wireless access points in areas not covered by the original 2nd Gen task order and is required to be compatible with the existing 2nd Gen infrastructure. As a result, the contractor awarded the expansion task order for 2nd Gen will be required to use another contractor's design.

In addition, the contracting officer may have limited competition for the 2nd Gen task order because she provided conflicting and perplexing information in different versions of the RFP, which included question and answer sessions. Additionally, this differing information may have limited the prospective contractors' ability to determine the scope of work on which they were bidding. For example, she stated in RFP version 4 that the contractors should assume the site survey will include the entire base; however, the implementation plan stated that installation of wireless will only include a core management suite and key functional areas, approximately 25 percent of the total base. The contracting officer's answer differed from the information provided in RFP version 6. During the question and answer session for that version, the contractors stated it was not clear from reviewing RFP version 6 what comprised the total evaluated price. The contracting officer stated that for RFP version 6 the contractors shall price the following: 2nd Gen design effort; implementation of the Field Service Evaluation site, Pope AFB, North Carolina; the Gunter enterprise network support center; and the CITS PMO Lab.

Firm-Fixed-Price Task Order

The contracting officer issued the 2nd Gen task order as a firm-fixed-price task order. However, prior to task order award, the prospective contractors bidding on the task order

questioned the appropriateness of using a firm-fixed-price task order. FAR Subpart 16.201, “Fixed-Price Contracts,” defines them as contracts that provide firm prices. Currently, there is an unknown firm price for the 2nd Gen system. The price of the task order has increased from \$1.6 million to more than \$144 million because of task order modifications to add estimated prices for survey and installation for 97 Air Force sites and because of increases in the quantities of supplies and services that make up these estimated prices. According to the price negotiation memorandum for the estimated site prices, the contracting officer will adjust the price for each site to reflect the contractor’s actual costs after site survey and installation. For example, the initial estimated price on the task order for Maxwell AFB, Alabama, was \$1,667,057. The contracting officer approved a CCP⁴ prior to site survey to increase the price by \$47,250. After the site survey process was complete, the contracting officer approved an additional CCP for \$486,770. The contracting officer also approved a final CCP after site installation was complete for \$38,555; the final cost to install 2nd Gen at Maxwell AFB was \$2,239,632. As a result, Maxwell AFB is \$572,575 over the estimated cost initially put on the task order. In addition, as of April 2008, as shown in the following table, 24 sites have had a change in task order price including the 11 sites that have completed installation.

⁴ CCPs are submitted by the contractor to the contracting officer.

Table 1: Change in Task Order Price

| Site Name | Initial Cost on Contract | Total Cost Currently on Contract | Difference* | Change |
|--------------------------|--------------------------|----------------------------------|--------------------|------------|
| Spangdahlem AB, GE | \$1,309,517 | \$3,294,280 | \$1,984,763 | 152% |
| Holloman AFB, NM | \$1,237,214 | \$2,500,805 | \$1,263,591 | 102% |
| Dover AFB, DE | \$1,237,214 | \$1,873,360 | \$636,146 | 51% |
| Tyndall AFB, FL | \$1,237,214 | \$1,761,129 | \$523,915 | 42% |
| Travis AFB, CA | \$1,667,057 | \$2,348,475 | \$681,418 | 41% |
| Luke AFB, AZ | \$1,667,057 | \$2,301,373 | \$634,316 | 38% |
| Andrews AFB, MD | \$1,667,058 | \$2,205,418 | \$538,360 | 32% |
| Maxwell AFB, AL | \$1,667,057 | \$2,239,632 | \$572,575 | 34% |
| Hickam AFB, HI | \$1,759,289 | \$2,341,052 | \$581,763 | 33% |
| Elmendorf AFB, AK | \$1,759,289 | \$2,305,986 | \$546,697 | 31% |
| Ramstein AB, GE | \$1,759,289 | \$2,206,679 | \$447,390 | 25% |
| McConnell AFB, KS | \$1,237,214 | \$1,543,686 | \$306,472 | 25% |
| Keesler AFB, MS | \$1,667,057 | \$1,838,077 | \$171,020 | 10% |
| Minot AFB, ND | \$1,237,214 | \$1,385,428 | \$148,214 | 12% |
| Aviano AB, Italy | \$1,309,517 | \$1,412,386 | \$102,869 | 8% |
| Wright-Patterson AFB, OH | \$1,667,057 | \$1,783,225 | \$116,168 | 7% |
| Randolph AFB, TX | \$1,667,057 | \$1,667,414 | \$357 | 0% |
| Nellis AFB, NV | \$1,667,057 | \$1,653,618 | (\$13,439) | -1% |
| Beale AFB, CA | \$1,667,057 | \$1,591,937 | (\$75,120) | -5% |
| Patrick AFB, FL | \$1,667,057 | \$1,465,072 | (\$201,985) | -12% |
| Peterson AFB, CO | \$1,667,057 | \$1,449,573 | (\$217,484) | -13% |
| Vandenberg AFB, CA | \$1,667,057 | \$1,279,865 | (\$387,192) | -23% |
| Air Force Academy, CO | \$1,237,214 | \$759,802 | (\$477,412) | -39% |
| Buckley AFB, CO | \$1,237,214 | \$719,821 | (\$517,393) | -42% |
| Total | \$36,562,084 | \$43,928,094 | \$7,366,010 | 20% |

* This does not include the \$692,010 that was removed from these sites' individual CLINs and placed into the overall material CLIN for these sites.

AB Air Base
 AFB Air Force Base
 GE Germany

The contracting officer did not implement the intent of FAR Subpart 16.201 simply by establishing standard prices for individual supplies and services because the price of the 2nd Gen system installed at each site is determined by the quantities of the supplies and services used. Therefore, the contracting officer had not implemented the 2nd Gen as a firm-fixed-price task order, but more like a time-and-materials type effort, which is the least preferred type of contracting and requires more intensive surveillance. She also implemented aspects of an indefinite-delivery, indefinite-quantity type contract, which violates the FAR because 2nd Gen was awarded under the Air Force Network-Centric Solutions indefinite-delivery, indefinite-quantity contract.

Acceptance of Supplies and Services

FAR Subpart 46.502, “Responsibility for Acceptance,” states that acceptance of supplies or services is the responsibility of the contracting officer. FAR Subpart 46.101,

“Definitions,” defines acceptance as the act of an authorized representative of the Government by which the Government, for itself, assumes ownership of existing identified supplies tendered or approves specific services rendered as partial or complete performance of the contract. The FAR further states in Subpart 46.501, “General,” that acceptance constitutes the Government’s acknowledgement that the supplies or services conform to applicable contract quality and quantity requirements and that acceptance shall be evidenced by execution of an acceptance certificate on an inspection or receiving report form.

The contracting officer violated FAR and DoD internal controls for acceptance of supplies and services by knowingly approving DD Forms 250, “Material Inspection and Receiving Report,” for

- Supplies and services for the 2nd Gen system before the contractor performed testing on the system and before the completed system was transferred to the Air Force site, and
- Incorrect quantities and values of supplies and services received.

The contracting officer routinely approved quantities of supplies and services before Government inspection or receipt. For example, the contracting officer approved supplies and services valued at \$433,115 for Spangdahlem Air Base, Germany, before the PMO representative approved the 2nd Gen system test results and transferred the system to that Air Force site. In addition, the contracting officer approved supplies valued at \$146,612 for the Sembach Air Base, Germany, 2nd Gen system. However, Sembach Air Base will not have 2nd Gen installed under this task order because, according to the contracting officer, the site no longer has buildings that meet the core building requirements definitized by the Air Force Communications Agency. As of April 2008, the contracting officer accepted \$38.1 million of supplies and services that a Government representative had not inspected for quality or quantity as required by FAR Part 46, “Quality Assurance.”

As another example, after site survey, General Dynamics informed the contracting officer that it would install only 2,107 of the preapproved 3,291 Aruba 70 access points (AP-70) at 14 Air Force sites. After installation at each of the 14 sites, General Dynamics submitted its final installation CCPs that revised the number of installed AP-70s to 2,149. Therefore, the contracting officer approved 1,142 AP-70s more than General Dynamics installed. Additionally, the contracting officer did not establish an auditable process to account for quantities of supplies and services received. For example, she signed DD Forms 250 that included only the contractor line item, name, and amount to be paid; the forms did not provide a detailed list of supplies and services. Although the contracting officer reduced the task order for the value of 1,142 AP-70s, she compounded the problem because she did not always adjust the cost of the contract line items containing AP-70s; instead, she adjusted another contract line item for those sites not related to installation supplies, such as installation labor. This incorrect adjustment then affected the accuracy of multiple supply and service contract line items.

Figure 1 shows an example of a post site survey list of materials on a CCP submitted by General Dynamics to the contracting officer for Peterson AFB, Colorado, on June 13, 2007. The contracting officer incorporated this CCP into the task order through task order modification 18 on August 14, 2007, which decreased the total cost of survey and installation at Peterson AFB, Colorado, by \$228,859.80. Even though this CCP reduced the total quantities of AP-70s by 156, the contracting officer did not reduce the cost of any of the contract line items containing AP-70s. Instead, she reduced the “installation labor” contract line item number to incorporate the overall cost decrease. The contracting officer signed DD Forms 250 on December 15, 2006; April 4, 2007; October 26, 2007; and April 8, 2008, accepting and authorizing payment for all contracting line items containing the original 293 AP-70s for Peterson AFB, Colorado.

| Description | Part Number | Unit* Price | Pricing - Currently on Contract | | Post - Design Review Pricing | | Variance | |
|--|-------------|----------------|---------------------------------------|---------------|---------------------------------|---------------|----------|---------------|
| | | | Qty | Ext. Price | Qty | Ext. Price | Qty | Ext. Price |
| Site Survey and Design Labor Model | | | | | | | | |
| Aruba AP-65 Access Point | AP-65-1 | \$ - | 45.0 | \$ - | 53.0 | \$ - | 8.0 | \$ - |
| Aruba AP-65 Access Point Mounting Kit | AP-65-MNT | \$ - | 45.0 | \$ - | 53.0 | \$ - | 8.0 | \$ - |
| Aruba AP-70 Access Point | AP-70-1 | \$ - | 293.0 | \$ - | 137.0 | \$ - | -156.0 | \$ - |
| Aruba AP-70 Access Point Mounting Kit | AP-70-MNT | \$ - | 293.0 | \$ - | 137.0 | \$ - | -156.0 | \$ - |
| Aruba AP-80SB - Outdoor Point-to-Point Wireless Bridge (includes mounting hardware) | AP-80SB | \$ - | 0.0 | \$ - | 0.0 | \$ - | 0.0 | \$ - |
| Antenna Interface Lightning Arrestor (N-type Connector) | AP-LAR-1 | \$ - | 0.0 | \$ - | 12.0 | \$ - | 12.0 | \$ - |

* We removed the unit price from this snapshot to protect contractor proprietary information.

Figure 1: Post Site Survey CCP Snapshot for Peterson AFB, Colorado

As a result, the contracting officer did not use the DD Forms 250 for the purpose of identifying the Government’s ownership of supplies tendered or specific services rendered as required by FAR 46.501. Instead, she used the DD Forms 250 to track the amount of money she had approved the contractor to receive payment for at each site.

The contracting officer further muddled accountability with task order modifications 20 and 21. These task order modifications moved \$20.9 million associated with supplies and warranties for installation network material, secure Internet protocol router, and radius servers from their associated contracting line items for 84 sites to one overarching contract line item labeled “material.” The contract line item contains subcontract line items for Aruba materials and warranties, secure Internet protocol routers, and radius servers. As of April 2008, the contracting officer had approved DD Forms 250 for \$1.9 million for Aruba materials and warranties and \$627,660 for radius servers.

However, because the costs for all 84⁵ sites are now included in one contract line item, we were unable to determine from the DD Forms 250 how the contracting officer accounts for the quantities of supplies and warranties that she approved. For example, the contracting officer signed a DD Form 250 on February 28, 2008, for \$1.7 million of Aruba materials and warranties, but the DD Form 250 did not identify the site where the material would be installed nor the description and quantities of material received. We could not determine from the task order files how the contracting officer tracks the inspection and acceptance of the supplies based on the DD Forms 250 for the \$20.9 million “material” contract line item.

FAR Subpart 46.501 requires the Government to not accept supplies or services before completion of Government contract quality assurance actions and that acceptance shall be evidenced by execution of an acceptance certificate on an inspection or receiving report form. According to FAR Subpart 46.315, “Certificate of Conformance,” the only exception is if the contracting officer inserts clause 52.246-15, “Certificate of Conformance,” in the solicitation and contracts for supplies or services when the following conditions apply:

- acceptance on the basis of contractor’s certificate of conformance is in the Government’s interest;
- small losses would be incurred in the event of a defect; or
- because of the contractor’s reputation or past performance, the supplies or services furnished will be acceptable and any defective work would be replaced, corrected, or repaired without contest.

The contracting officer did not include contract clause 52.246-15 in either the solicitation or the task order and therefore, should not be accepting or paying for supplies and services before ensuring they meet task order quality and quantity requirements.

FAR Subpart 45.402, “Title to Contractor-Acquired Property,” states that if the contractor retains a deliverable item for use after inspection and acceptance by the Government, it shall be made accountable to the contract through a contract modification listing the item as Government-furnished property. The contracting officer routinely approved supplies valued at \$25.8 million that the contractor retained for use after acceptance and did not modify the task order listing the supplies as Government-furnished property.

The Director of Contracting, ESC should ensure that the contracting officer implements an auditable process for the 2nd Gen task order that accurately shows the Government appropriately received and paid for supplies or services before continuing with the implementation of the 2nd Gen system at the remaining Air Force sites.

Contract Quality Requirements

FAR Subpart 46.4, “Government Contract Quality Assurance,” states that a QASP should be prepared in conjunction with the preparation of the statement of work. The QASP should specify all work requiring surveillance and the method of surveillance. In

⁵ Forty-seven sites had supplies and warranties for installation network material, secure Internet protocol routers, and radius servers removed; 19 had secure Internet protocol routers and radius servers removed; and 18 had secure Internet protocol routers removed.

addition, DFARS Subpart 246.102(1), “Policy,” requires that DoD Departments and agencies apply Government quality assurance to all contracts for services and products designed, developed, purchased, produced, stored, distributed, operated, maintained, or disposed of by contractors. The contracting officer prepared a statement of work, but did not prepare a QASP for the 2nd Gen acquisition. The contracting officer stated that the task order did not require a QASP because it was a supply task order and not a service task order. However, the costs for supplies only accounted for approximately 37 percent of the task order’s costs; the remaining costs were for services. Based on FAR and DFARS requirements, the contracting officer should have prepared a QASP.

FAR Subpart 46.103, “Contracting Officer’s Responsibilities,” requires the contracting officer to receive from the PMO officer technical requirements and specifications for inspection, testing, and other contract quality requirements that are included in the solicitation. This ensures independent verification that the Government is receiving the quality of products and services that were contracted for or that the products or services meet the needs, expectations, and standards of the Government. Instead, the contracting officer required the contractor to develop a 2nd Gen test plan, administer the test plan at each Air Force site, and document the test and inspection results, findings, and analyses for Government review. The contractor’s test plan included the tests to verify the operation and functional performance of 2nd Gen component, sub-system, and system-level designs. The test plan also identified the items to be tested, the required test equipment and support, the test conditions imposed, the parameters measured, and the pass/fail criteria for each test. Even though the PMO reviewed the test plan and results, the contracting officer still created a conflict of interest situation by requiring the contractor designing and installing the 2nd Gen system to test and approve the system. The Director of Contracting, ESC should ensure that a QASP, including an independent test plan, for the 2nd Gen system is prepared and that the QASP is implemented to show that a conflict of interest situation is not created.

Contract Quality Requirements Oversight

DFARS Procedures, Guidance, and Information Subpart 201.6, “Contracting Authority and Responsibilities,” requires contracting officers to designate a properly trained COR to assist in the technical monitoring or administration of a contract when contracting for services. DFARS 201.6 states that a COR must be a Government employee designated in writing. DFARS Subpart 201.602-2, “Responsibilities,” requires that the written designation specify the extent of the authority to act on behalf of the contracting officer, identify the limitations on the COR authority, specify the period covered by the designation, state the authority cannot be delegated, and state that the COR may be held personally liable for unauthorized acts. Additionally, Air Force Instruction 63-124, “Performance-Based Services Acquisition,” August 1, 2005, defines quality assurance personnel such as CORs as on-site technical managers assessing contractor performance against task order performance standards.

The contracting officer stated the 2nd Gen task order was for supplies and not services and she did not designate a COR. However, the contracting officer allowed PMO

employees to perform the COR functions without a written designation letter or ensuring that they were properly trained.

According to the contracting officer, the PMO:

- oversees the contractor at the Air Force sites to include observing the survey, installation, testing, and sell off⁶ of the 2nd Gen system;
- reviews CCPs to verify the:
 - supplies requested by the contractor are required or were provided,
 - services requested by the contractor are required or were provided, and
 - costs associated with those supplies and services are in accordance with the negotiated costs of the task order;
- reviews the DD Forms 250, to verify that the supplies and services were provided; and
- authorizes the contracting officer to incorporate the CCPs and to approve and sign the DD Forms 250 based on their reviews.

According to the PMO, it has 7 project managers who oversee the survey and installation of 2nd Gen at the 97 Air Force sites throughout the world. Those seven project managers report to the 2nd Gen program manager and deputy program manager located at Hanscom AFB, Massachusetts. Project managers are responsible for overseeing the survey, installation, testing, and acceptance of the 2nd Gen system and provide detailed analysis and recommendations for Government approval, decision making, and project execution. They also review contractor lists of materials, schedules, and evaluate CCPs. According to the PMO, because five of the seven project managers are contractors, a Government employee approves documents and makes decisions associated with the 2nd Gen system based on the project manager's recommendations and observations. Because the project managers are performing the same functions as CORs, the contracting officer should have designated those positions as CORs and should not have allowed Government employees to perform perfunctory approval of Government documents based on contractor inspection of contractor work. DFARS 201.6 states that a COR should be a Government employee. Therefore, the PMO should not use the contractor employee's recommendations and observations to approve documents and make decisions for quality assurance purposes or to assess General Dynamic's performance against performance standards. Additionally, the contracting officer should designate in writing the two Government project managers as CORs and should not allow contractor employees to function as CORs.

Without a properly designated COR, the contracting officer has no guarantee the contractor performance was assessed against the task order performance standards; surveillance was being performed; the person responsible for surveillance was qualified; the COR was aware of his or her responsibilities; and the products and services met the needs, expectations, and standards of the Government. The Director of Contracting, ESC should ensure that the 38th Engineering Installation Group complies with DFARS 201.6

⁶ Sell off is the process of transferring the completed 2nd Gen system to the local Air Force site operating activity.

and designate a Government COR(s) before implementing the 2nd Gen system at the remaining Air Force sites.

Contractor Travel Overcharges

The contracting officer did not comply with the FAR or the Air Force Network-Centric Solutions contract's specific requirements in issuing and administrating the 2nd Gen task order. The Air Force Network-Centric Solutions contract requires the contracting officer to:

- approve contractor travel in advance;
- identify, propose, and negotiate travel requirements in individual task orders on a cost-reimbursement basis; and
- reimburse per diem, airfare, and all other allowable travel costs in accordance with the FAR.

FAR Subpart 31.205-46, "Travel Costs," requires that costs for lodging, meals, and incidental expenses be based on per diem, actual expenses, or a combination of both, provided the method used results in a reasonable charge to the Government.

The 2nd Gen contracting officer did not approve the contractor's travel in advance of its trips. The contracting officer stated that the per diem rates were based on those identified in the Joint Travel Regulations. The contracting officer was unsure how the contractor expensed airfare or rental cars because she relied on the contractor to provide a CCP that showed the actual expenses for airfare and rental cars. We reviewed the contractor's final CCP for travel to 14 Air Force sites that had installed the 2nd Gen system. We found that the contractor appropriately used the per diem rates stated in the Joint Travel Regulations; however, the contractor did not base rental car rates on actual amounts. We were unable to determine whether airfare for the 14 sites were based on actual amounts because the contracting officer does not require the contractor to provide support for its travel charges. The contracting officer approved rental car rates based on contractor estimates and did not require the contractor to submit receipts for actual expenses.

The contractor charged the Government a flat rate per day for rental car expenses: \$51 for a rental car for a site in the continental United States and \$75 for a rental car for a site outside the continental United States, rather than the actual rental car costs. The contractor charged one rental car for every day of per diem charged for each site. For example as seen in Figure 2, at Patrick AFB, Florida, the contractor charged 718 days of per diem for 14 employees and charged 718 days for rental cars for 14 employees; one rental car per employee per day.

| Description | | | Pricing - Currently on Contract | | Final Pricing | | Variance | |
|-----------------------------|---------------------|------------------|---------------------------------|-------------------|---------------|-------------------|----------|-----------------|
| | | | Qty | Ext. Price | Qty | Ext. Price | Qty | Ext. Price |
| | | | | | | | | |
| Total Per Diem Days | | | | 686.0 | | 718.0 | | 32.0 |
| Number of Install Personnel | | | | 13.0 | | 14.0 | | 1.0 |
| Installation | Estimated Unit Rate | Actual Unit Rate | | | | | | |
| Per Diem | \$ 149.00 | \$ 149.00 | 686 | \$ 102,214 | 718 | \$ 106,982 | 32 | \$ 4,768 |
| Airfare | \$ 523.60 | \$ 523.60 | 9 | \$ 4,712 | 10 | \$ 5,236 | 1 | \$ 524 |
| Car Rental | \$ 51.00 | \$ 51.00 | 686 | \$ 34,986 | 718 | \$ 36,618 | 32 | \$ 1,632 |
| Miscellaneous | \$ 15.00 | \$ 15.00 | 686 | \$ 10,290 | 718 | \$ 10,770 | 32 | \$ 480 |
| | | | | \$ 152,202 | | \$ 159,606 | | \$ 7,404 |
| | | | | | | | | |

Figure 2: Patrick AFB, Florida, Post Install CCP Snapshot

The contracting officer questioned the contractor once on this one-to-one ratio of rental cars to contractor employees when reviewing a CCP for travel. The contractor acknowledged the error and resubmitted the correct CCP. However, the contracting officer failed to question this one-to-one ratio on remaining CCPs. The contracting officer failed to apply reasonableness to the rental cars charged by the contractor in accordance with FAR 31.205-46. The contracting officer met with the contractor after we questioned the number of rental cars. She stated the rental cars are authorized because the contractor stated that each person was working at a different location at each of the Air Force sites.

The following table shows how much the contractor has potentially overcharged the Government for rental car costs as of April 2008 for the 14 Air Force sites.

- Column A is the quantity of rental car days charged by the contractor for site survey and installation of the 2nd Gen system at each site.
- Column B is the total cost of the rental car expenses charged by the contractor for each site based on the charges of \$51 for sites in the continental United States and \$75 for sites outside the continental United States. This includes an 8.45 percent fee for general and administrative costs that was charged by the contractor. We also applied this charge to our estimated columns.
- Column C is our estimate of what the contractor would have charged the Government had two employees shared a rental car based on the standard \$51 and \$75 charges.

- Column D is our estimate of what the contractor would have charged the Government had they used the actual cost of rentals cars. We created a per day average based on online quotes received by the available rental car companies at each site. We multiplied those average rates by the number of rental car days charged by the contractor to get our estimates. All rates include estimated taxes and fees except for Randolph AFB.
- Column E is our estimate of what the contractor would have charged based on the average rates created for Column D had two employees shared a rental car. All rates include estimated taxes and fees except for Randolph AFB.

Table 2: Potential Car Rental Overcharges

| Air Force Site | Column A: Contractor Rental Car Days | Column B: Contractor Charge for Rental Cars | Column C: Auditor Est. Based on 2 Employees Per Car | Column D: Auditor Est. Based on Est. Cost of Rental Car With 1 Employee Per Car | Column E: Auditor Est. Based on Est. Cost of Rental Car With 2 Employees Per Car |
|----------------|---|--|---|---|--|
| Randolph AFB | 1149 | \$63,551 | \$33,823 | \$32,859 | \$17,489 |
| Peterson AFB | 946 | \$52,323 | \$27,544 | \$24,889 | \$13,102 |
| Patrick AFB | 860 | \$47,566 | \$24,364 | \$22,757 | \$11,656 |
| Aviano AB | 795 | \$64,663 | \$33,186 | \$45,385 | \$23,292 |
| Spangdahlem AB | 1950 | \$158,608 | \$80,158 | \$72,050 | \$36,413 |
| Dover AFB | 1469 | \$81,250 | \$41,206 | \$40,306 | \$20,441 |
| Buckley AFB | 390 | \$21,571 | \$12,583 | \$12,972 | \$7,567 |
| Luke AFB | 1710 | \$94,579 | \$47,870 | \$41,782 | \$21,147 |
| Maxwell AFB | 1262 | \$69,801 | \$36,970 | \$30,753 | \$16,289 |
| Elmendorf AFB | 1586 | \$129,001 | \$68,768 | \$87,291 | \$46,533 |
| McConnell AFB | 1139 | \$62,998 | \$32,887 | \$28,645 | \$14,954 |
| Wright Pat AFB | 1121 | \$62,002 | \$33,068 | \$25,883 | \$13,804 |
| Minot AFB | 860 | \$47,566 | \$24,364 | \$22,356 | \$11,451 |
| Ramstein AB | 1331 | \$108,260 | \$56,216 | \$49,179 | \$25,537 |
| Total | 16568 | \$1,063,739 | \$553,007 | \$537,107 | \$279,676 |

The contracting officer stated that she is reviewing rental car costs to see whether she needs to renegotiate them. The contracting officer's actions show a lack of commitment to conserve scarce DoD funds and taxpayers dollars.

Fee Charged on Travel

In addition, the contracting officer allowed the contractor to charge a .0835 percent facilities capital cost of money fee to all travel costs. According to FAR Subpart 31.205-10, "Cost of Money," facilities capital cost of money (cost of capital committed to facilities) is an imputed cost determined by applying a cost-of-money rate to facilities capital, not travel costs, employed in contract performance. In addition, the General Dynamics Air Force Network-Centric Solutions contract, which the 2nd Gen task order was issued under, includes contract clause FAR 52.215-17, "Waiver of Facilities Capital Cost of Money." FAR 52.215-17 states that "the contractor did not include facilities

capital cost of money as a proposed cost of this contract. Therefore, it is an unallowable cost under this contract.” Currently, the 2nd Gen task order has \$14,236 worth of unallowable facilities capital cost of money on contract for travel costs. The Director of Contracting, ESC should audit all of the contractors’ travel expenses and correct any mistakes found in the audit to include recovering contractor overcharged travel expenses and fees.

Summary of Contracting Officer’s Performance

The contracting officer bears the responsibility to administer contracts and make fully informed contract decisions even if these decisions are not readily embraced by the PMO. Contracting officers’ responsibilities increase with the designation limit of their warrants; the 2nd Gen task order contracting officer has an unlimited warrant which designates maximum responsibility. The contracting officer did not implement sufficient internal control mechanisms to ensure that the 2nd Gen task order followed Federal and DoD requirements. Specifically, the contracting officer was negligent in her duties on the 2nd Gen task order when she issued the 2nd Gen task order as firm-fixed-price, erroneously accepted supplies and services, inappropriately approved Government documents, was not prudent in protecting Government property, did not establish an independent QASP or designate a COR, and lastly, approved unauthorized fees and excessive travel costs. These cumulative actions by the 2nd Gen task order contracting officer and the lack of internal controls created an environment where potential fraudulent activity and inadequate documentation resulted in either no audit trail or one so complex that accountability was questionable. The contracting officer’s actions bring into question her knowledge, skills, training, and capabilities to correctly administer contracts; therefore, the Director of Contracting, ESC should immediately suspend her contracting warrant and conduct an independent review of the 2nd Gen task order and make the necessary corrections. We believe the interest of the taxpayers is not being protected by this type of contracting.

Recommendations, Client Comments, and Our Response

B. We recommend that the Director of Contracting, Electronic Systems Center suspend the Second Generation Wireless Local Area Network task order and complete the following actions.

1. Conduct an independent review outside the 38th Engineering Installation Group of the current contracting officer’s training, skills, and performance to determine whether limitations should be placed on the contracting officer’s duties to ensure appropriate contract actions are taken in the future.

Client Comments

The Chief of Staff for ESC, responding for the Director of Contracting, ESC, agreed. The chief of staff stated that the order has been suspended until there is resolution of the issues identified in this report. He stated that the 2nd Gen contracting officer’s training,

skills, and performance were reviewed and it was determined that termination of the contracting officer's warrant is not merited. Additional training, closer supervision, and coaching are being provided to the contracting officer. In addition, the Director of Contracting, ESC will provide all clearance and review approval for major 2nd Gen task order modifications.

Our Response

The chief of staff's comments were partially responsive. The chief of staff stated the contracting officer will keep her unlimited warrant, but she will receive additional training, closer supervision, and coaching. Additionally, the Director of Contracting, ESC will provide all clearance and review approval for major 2nd Gen task order modifications. The chief of staff actions indicate agreement that the contracting officer made significant mistakes in administering this contract. Additionally, he decreased her responsibilities since the Director of Contracting, ESC will provide all clearance and review approval for major 2nd Gen task order modifications. However, there is an increased risk to the Government because of the contracting officer's demonstrated failure to properly oversee and administer the 2nd Gen task order. We reviewed only one of the many contracts she oversees and found nearly \$798,300 in potential overcharges to the Government. There could potentially be similar overcharges in the other contracts that she oversees.

We request that the chief of staff provide additional comments that identify the threshold for major 2nd Gen task order modifications. We also request that the chief of staff provide the results of the review, and the details for the additional training, closer supervision, and coaching that the contracting officer will be provided.

We believe the termination of task order FA8771-04-D-0007-TF03 will provide an opportunity for the Air Force to change the contracting officer for the completion of the 2nd Gen effort.

2. Assign an alternate independent contracting officer to oversee the Second Generation Wireless Local Area Network task order.

Client Comments

The Chief of Staff for ESC, responding for the Director of Contracting, ESC, disagreed. The chief of staff stated that assigning a new contracting officer for the 2nd Gen project would delay the restructuring of the task order and cause a loss of historical knowledge. This is because it would take the new contracting officer time to become familiar with the task order. He stated that the Director of Contracting, ESC has determined the contracting officer has professionally performed duties assigned and is qualified to support the 2nd Gen task order. In addition, he stated that due to limited contracting officer resources, there is no one who can add 2nd Gen to his or her workload.

Our Response

The chief of staff comments were nonresponsive. While we understand there are limited contracting resources, the contracting officer did not properly administer task order

FA8771-04-D-0007-TF03 and therefore it is unclear how the contracting officer's historical knowledge could benefit the Government. Further, the chief of staff should allow the contracting officer time to benefit from the additional training, closer supervision, and coaching he intends to provide her. Termination of task order FA8771-04-D-0007-TF03 will provide the Air Force the opportunity to consider changing the contracting office for the completion of the 2nd Gen effort.

3. Develop and implement a quality assurance surveillance plan, including an independent test plan, for the Second Generation Wireless Local Area Network task order in accordance with Federal Acquisition Regulation Subpart 46.4, "Government Contract Quality Assurance," and Defense Federal Acquisition Regulation Supplement Subpart 246.102(1), "Policy," to ensure a conflict of interest situation is not created.

Client Comments

The Chief of Staff for ESC, responding for the Director of Contracting, ESC, partially agreed. The chief of staff stated that the informal processes already in place for contractor surveillance and system acceptance testing constitute adequate and sufficient oversight and monitoring of contractor performance. He further stated that approval of documents and assessment of contractor performance are accomplished by Government employees including members of the PMO, the 46 Test Squadron, and communications specialists at the respective bases. However, the QASPs will be developed and implemented during the restructure of the task order. His estimated completion will be September 2009.

Our Response

The chief of staff comments were partially responsive. The chief of staff did not address an independent test plan. The contracting officer required the contractor to develop, administer, and document the findings, results, and analysis of the 2nd Gen test plan while the Government only conducted a review of the work. This is not an independent test plan; the contractor is testing its own product, and the Government is accepting the contractor's work based on the contractor's self-evaluation, creating a conflict of interest. The chief of staff should ensure that a test plan is developed without the contractor's involvement. Finally, while only Government employees may be approving documents, they rely on contractor assessments; five of seven project managers are contractors providing those assessments. See our response to Recommendation B.4.

4. Assign a contracting officer's representative(s) for the Second Generation Wireless Local Area Network task order in accordance with the Defense Federal Acquisition Regulation Supplement Procedures, Guidance, and Information 201.6, "Contracting Authority and Responsibilities," revised December 1, 2006; Defense Federal Acquisition Regulation Supplement Subpart 201.602-2, "Responsibilities," revised December 1, 2006; and Air Force Instruction 63-124, "Performance-Based Services Acquisition," August 1, 2005.

Client Comments

The Chief of Staff for ESC, responding for the Director of Contracting, ESC, agreed. The chief of staff stated that although informal, there is already sufficient oversight and monitoring of contractor performance through the use of Government and contract employees who provide advice to Government project leads. Approval of documents and assessment of contractor performance are accomplished by Government employees. Support contractors provide advisory and assistance services to Government project leads with regard to project progress. However, they will assign CORs as part of the contract restructure. The chief of staff estimated completion will be September 2009.

Our Response

The chief of staff comments were partially responsive. However, DFARS Procedures, Guidance, and Information Subpart 201.6, “Contracting Authority and Responsibilities,” states that a COR’s authority can only be provided to a Government employee and that it cannot be delegated. The contracting officer did not officially establish CORs for the 2nd Gen contract; however, PMO employees are functioning as CORs. In addition, these inherently governmental functions are currently being conducted by non-Government PMO employees. For example, 5 of 7 project managers are contractors who oversee the survey and installation of 2nd Gen at the 97 Air Force sites throughout the world. Those seven project managers report to the 2nd Gen program manager and deputy program manager located at Hanscom AFB, Massachusetts. According to the PMO, because five of the seven project managers are contractors, a Government employee approves documents and makes decisions associated with the 2nd Gen system based on the project managers’ assessments. Contractor employee recommendations and observations should not be used to approve documents and make decisions for Government quality assurance purposes. The chief of staff should ensure that the CORs are Government employees, properly trained, and are issued a written letter of appointment as required by DFARS Procedures, Guidance, and Information Subpart 201.6. In addition, these CORs should be on site while assessing contractor performance as required by Air Force Instruction 63-124.

The Assistant Secretary of the Air Force (Acquisition) should ensure that the new 2nd Gen task orders have properly designated, trained, and qualified CORs.

5. Evaluate oversight procedures for acceptance of supplies and services to ensure the procedures meet the requirements in Federal Acquisition Regulation Subparts 45.402, “Title to Contractor-Acquired Property”; 46.101, “Definitions”; 46.103, “Contracting Officer’s Responsibilities”; 46.501, “General”; and 46.502, “Responsibility for Acceptance,” issued March 2005; and that all DD Forms 250, “Material Inspection and Receiving Report,” are accurate, auditable, and in accordance with Federal Acquisition Regulation Subpart 46.501 before receiving contracting officer approval.

Client Comments

The Chief of Staff for ESC, responding for the Director of Contracting, ESC, agreed. The chief of staff stated that changes in process have been identified and are being implemented incrementally in the restructure of the order and estimated completion will be September 2009.

Our Response

The chief of staff comments were partially responsive. The chief of staff recognized a need for improvements in oversight of supplies and services. We recommended that task order FA8771-04-D-0007-TF03 be terminated and new task orders be awarded for site survey and installation. These actions will provide the Assistant Secretary of the Air Force (Acquisition) an opportunity to institute oversight procedures that fully comply with FAR subparts identified in this recommendation.

6. Correct all contractor travel charges for prior travel incurred on the Second Generation Wireless Local Area Network task order to the actual costs for airfare and rental cars and recover from the contractor all overcharged expenses, including the facilities capital cost of money.

Client Comments

The Chief of Staff for ESC, responding for the Director of Contracting, ESC, agreed. The chief of staff stated that the contracting officer will recoup the facilities capital cost of money fees that have been charged to travel, as well as review all rental car expenses. In addition, the contracting officer will also conduct an audit of all travel costs and recoup any excess travel costs that may have been paid to the contractor. The chief of staff expects to recoup all monies and complete the review by January 31, 2009.

Our Response

The chief of staff comments were nonresponsive. The chief of staff is creating a conflict of interest situation by allowing the same contracting officer who incorrectly administered the contract and created the need for the audit of travel expenses to conduct the audit of travel expenses. The chief of staff should be mindful that these transactions are potential indicators of fraud and should assign a qualified person independent of the contracting officer to conduct these audits. In accordance with Recommendation B.9., the chief of staff should determine whether administrative or criminal actions should be pursued against the contracting officer and contractor if the contractor-submitted travel charges are determined to be improper.

7. Pre-approve all future contractor travel for the Second Generation Wireless Local Area Network task order in accordance with the Air Force Network-Centric Solutions indefinite-delivery, indefinite-quantity contract.

Client Comments

The Chief of Staff for ESC, responding for the Director of Contracting, ESC, agreed. The chief of staff stated that the Network-Centric Solutions contract permits travel to be included as part of the overall firm fixed price for each solutions line item. The chief of

staff stated that because of this, a firmly negotiated price will constitute approval of travel and no further approvals will be necessary. The chief of staff will be including travel expenses into the firm fixed price for each base as part of the restructuring solution and expects to complete this by September 2009.

Our Response

The chief of staff comments were not responsive. The Network-Centric Solutions contract does not specifically allow travel costs to be priced on a firm-fixed-price basis; it does, however, specifically provide for travel costs to be reimbursed on a cost basis.

Point B of contract line item number 0007 in the Network-Centric Solutions contract states that the contractor will provide travel and other direct costs on a cost-reimbursable basis only. Also, section H047 of the contract states that travel will be identified, proposed, and negotiated in individual task orders on a cost-reimbursement basis. In addition to requiring travel to be cost reimbursable, section H047 of the Network-Centric Solutions contract states that travel requirements will be reimbursed by separate voucher and must be approved in advance by the contracting officer prior to the travel actually taking place. In addition, the Network-Centric Solutions contract states that travel arrangements shall be in accordance with Joint Travel Regulations.

Further, the Network-Centric Solutions contract, the task order's RFP, and the FAR require and provide guidance and an auditable structure to approve and reimburse the contractor for actual travel and other direct costs. For example, FAR Subpart 31.205-46, "Travel Costs," requires that costs for lodging, meals, and incidental expenses be based on per diem, actual expenses, or a combination of both, provided the method used results in a reasonable charge to the Government. The original task order's RFP, January 18, 2005, states that travel and other direct costs will be charged to contract line item 0007, which is established in the Network-Centric Solutions contract as a cost-reimbursable contract line item. In fact, the 2nd Gen contracting officer was reimbursing the contractor for claimed travel costs but she did not require actual cost documentation; instead she paid the contractor whatever amounts were submitted, which resulted in a potential overpayment of \$784,063. In addition, the contracting officer continually modified the task order costs based on the contractor CCPs that included changes in travel costs. Therefore, it would not be wise for the contracting officer to establish travel as a firm-fixed price.

8. Require the contractor to provide receipts for all travel expenses; then verify that the contractor change proposals include only valid travel charges.

Client Comments

The Chief of Staff for ESC, responding for the Director of Contracting, ESC, agreed. The chief of staff stated that travel will be negotiated as part of the firm fixed price for each base and not on a cost-reimbursable basis, so no travel receipts would be required. In addition, the chief of staff stated that there should be very few CCPs after the restructure completion and that any travel costs on new CCPs should be only for travel

required to address new requirements. The chief of staff expects to complete the restructure by September 2009.

Our Response

The chief of staff comments were partially responsive. See our response to Recommendation B.7. above.

9. Determine whether administrative or criminal actions should be pursued against the contracting officer and contractor if the contractor-submitted travel charges are determined to be incorrect.

Client Comments:

The Chief of Staff for ESC, responding for the Director of Contracting, ESC, agreed. The chief of staff conducted a review of the contracting officer, in conjunction with an independent review team, and found no indication of criminal or negligent activities relating to travel charges. The chief of staff determined that no criminal action against the contracting officer is merited based on current known information. The chief of staff stated that collection of travel charges will be accomplished as appropriate, as stated in the comments to Recommendation B.6., and that the contracting officer, her supervisor, and the 38th Engineering Installation Group contracting section will also be subject to refresher training. The review and determination was to have been completed by September 30, 2008.

Our Response

The chief of staff comments were nonresponsive. It is unclear how the chief of staff could have fully determined administrative or criminal action is not warranted until an independent audit has been completed of all the travel charges as stated in our response to Recommendation B.6.

Finding C. Financial Accountability Violations

The 2nd Gen PMO at the 753 Electronic Systems Group and the contracting officer at the 38th Engineering Installation Group did not comply with appropriations laws and regulations. The PMO violated the FMR by funding nearly \$4.3 million of the task order with procurement funds rather than research, development, test, and evaluation funds and by funding \$143.4 million in modifications with incorrect fiscal year funds. The 2nd Gen contracting officer violated the FAR and DFARS when she established a firm-fixed-price task order that was not fully funded and still has not established or funded the final task order price. These FMR, FAR, and DFARS violations may have caused potential Antideficiency Act (ADA) violations.

Laws and Regulations

Federal laws and DoD regulations stipulate the acceptable use and requirements of appropriated funds established by Congress.

Financial Management Regulation

Financial Management Regulation (FMR) 7000.14-R, Volume 1, “Definitions,” defines the ADA as legislation enacted by Congress to prevent Federal acquisitions from incurring obligations or making expenditures (outlays) in excess of amounts available in appropriated funds. FMR, Volume 14, “Administrative Control of Funds and Antideficiency Act Violations,” August 1995, states that a within-scope contract adjustment is properly chargeable to the funds that funded the original contract. If sufficient funds are not available, a potential ADA violation may have occurred.

FMR, Volume 2A, Chapter 1, “General Information,” states that the research, development, test, and evaluation appropriations are to be used in development, test, and evaluations requirements, including designing prototypes and processes. Commercial off-the-shelf systems that require engineering design, integration, test, and evaluation to achieve the objective performance will be funded with the research, development, test, and evaluation appropriation. In general, all developmental activities included in bringing a program to its objective system are to be funded with the research, development, test, and evaluation appropriation.

Title 31 of the United States Code

The ADA is codified in a number of sections of title 31 of the United States Code. The purpose of those statutory provisions, known collectively as the ADA, is to enforce the constitutional powers of Congress for the purpose, time, and amount of budgetary expenditures made by the Federal Government. This finding discusses potential violations of the ADA with respect to section 1341, title 31, of the United States Code.

According to section 1341, title 31, United States Code, a Federal agency may not make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation. Additionally, a Federal agency

may not involve the Government in either a contract or obligation for the payment of money before an appropriation is made unless authorized by law.

The purpose statute is codified in section 1301, title 31, United States Code. The statute states, “appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law.” A violation of the purpose statute may cause an ADA violation.

FAR and DFARS

FAR Subpart 32.703-1, “General,” states that if the contract is fully funded, funds are obligated to cover the price or target price of a fixed-price contract or the estimated cost and any fee of a cost-reimbursement contract. DFARS Subpart 232.7, “Contract Funding,” requires fixed-price contracts to be fully funded unless the contracts are funded with research and development appropriations, Congress has otherwise incrementally appropriated program funds, or the head of the contracting activity approves the use of incremental funding for either base services contract or hazardous or toxic waste remediation contracts. The 38th Engineering Installation Group contracting officer established the 2nd Gen task order as a firm-fixed-price contract.

Government Compliance

On August 29, 2005, the contracting officer awarded the 2nd Gen task order as a firm-fixed-price task order under the Air Force Network-Centric Solutions indefinite-delivery, indefinite-quantity contract for \$1.6 million. As of April 2008, the contracting officer has modified the task order 25 times to increase the cost to approximately \$145 million, but has yet to establish a final cost for this firm-fixed-price task order. According to the task order’s price negotiation memorandum, the price for each site will be adjusted to the actual costs after site survey and installation. Only 11 of 97 sites have finished installation as of April 2008.

The audit team found that the 2nd Gen PMO at the 753 ELSG violated the FMR by using different fiscal year funds than those at the start of this firm-fixed-price contract; 24 of the 25⁷ task order modifications were funded with other than FY 2005 funds. According to the PMO, the 2nd Gen task order modifications were funded with the available funds at the time the modifications were issued. See Table 3 for 2nd Gen’s funding profile.

⁷ Modification 2 priced at \$16,975.72 was funded using FY 2005 funds. The remaining 24 modifications priced at \$143,353,050.61 were funded using FY 2006 through FY 2007 funds.

Table 3: 2nd Gen Task Order Funding Profile

| Fiscal Year | Fund Type | Dollar Amount |
|-------------------------|------------------|----------------------|
| 2005 | Procurement | \$1.63M |
| 2006 | Procurement | \$86.55M |
| 2007 | Procurement | \$56.8M |
| Total FY Dollars | | \$144.98M |

However, FMR, Volume 14, “Administrative Control of Funds and Antideficiency Act Violations,” states that a within-scope contract adjustment is properly charged to the funds that funded the original contract and if sufficient funds are not available, a potential ADA violation may have occurred. According to a legal opinion from an Air Force Attorney-Advisor, the modifications were within the scope of the original task order. Specifically, the RFP states that, under the task order, a modification will be issued to have the contractor perform the surveys and installations at all other Air Force sites; the RFP included a listing of 100 locations that would require survey and installation. Therefore, \$143.4 million in modifications should have been funded using FY 2005 funds when the modifications were issued.

The PMO created an IGCE of \$34.2 million for the acquisition of 2nd Gen. However, we determined that the PMO did not develop an adequate IGCE that sufficiently identified the cost for the 2nd Gen task order before task order award (See Finding A). Had the PMO created an adequate IGCE, the PMO could have anticipated that the task order would require significantly more funding than \$1.6 million of FY 2005 funds. If sufficient and appropriate type FY 2005 funds are not available, there may be a potential ADA violation.

The PMO further violated the FMR by incorrectly funding nearly \$4.3 million of the task order with procurement funds rather than research, development, test, and evaluation funds. The purpose statute is codified in section 1301, title 31, United States Code, and states that funds should be used only for their intended purpose. FMR, Volume 2A, Chapter 1, “General Information,” states that research, development, test, and evaluation appropriations are to be used in development, test, and evaluations requirements, including designing prototypes and processes. The FMR further states that developmental activities involved in bringing a program to its objective system are generally to be budgeted with research, development, test, and evaluation funds. Specifically, the FMR states that commercial off-the-shelf systems that require engineering design, integration, test, and evaluation to achieve the objective performance will be budgeted with research, development, test, and evaluation funds. According to 2nd Gen’s task order, it included nearly \$4.3 million for the development of the 2nd Gen design solution and installation of that design solution at the field service evaluation site and two labs. The PMO used procurement funds for the nearly \$4.3 million for the 2nd Gen design solution and system test and evaluation. Additionally, the PMO used procurement funds for the operational utility evaluation of 2nd Gen conducted by the Air

Force 346th Test Squadron in May 2008. The 2nd Gen PMO may have caused potential ADA violations by its erroneous funding of these research and development and testing efforts.

Additionally, the audit team found that the 2nd Gen contracting officer at the 38th Engineering Installation Group violated the FAR and DFARS by not ensuring that 2nd Gen task order was fully funded before obligating the Government to the costs of designing, testing, and installing the 2nd Gen system. FAR Subpart 32.702, "Policy," requires the contracting officer to obtain written assurance from the responsible fiscal authority that adequate funds are available. At the time the task order was awarded, the PMO estimated that the task order would cost approximately \$34.2 million. FAR Subpart 32.703-1, states that if the contract is fully funded, funds are obligated to cover the price or target price of a fixed-price contract or the estimated cost. Even though the contracting officer established the 2nd Gen task order as a firm-fixed-price contract, she has yet to establish the task order's final price. While the contracting officer verified that \$1.6 million in FY 2005 funds were available for the 2nd Gen task order, she should have verified that sufficient FY 2005 funds were available to cover the Government estimate of \$34.2 million. Even after the task order surpassed the Government estimate of \$34.2 million, the contracting officer did not request written assurance that the task order was fully funded. She only ensured that funds were available to cover all modifications up to the current modification being issued. As a result, the contracting officer obligated the Government to at least \$32.6 million more than she knew was available when she initially awarded the task order, causing a potential ADA violation.

Recommendations, Client Comments, and Our Response

We added Recommendation A.3. to terminate task order FA8771-04-D-0007-TF03 and issue new task order(s) to complete the site survey and installation of 2nd Gen. With new task orders for site survey and installation, the Assistant Secretary of the Air Force (Acquisition) can award, fund, and administer an appropriate contract type for the remaining sites receiving 2nd Gen.

C.1. We recommend that the Director of Contracting, Electronic Systems Center ensure that the Director of Contracting for the 38th Engineering Installation Group establishes a price for this firm-fixed-price task order to complete full implementation of the Second Generation Wireless Local Area Network system.

Client Comments

The Chief of Staff for ESC, responding for the Director of Contracting, ESC, agreed. The chief of staff stated that the PMO is proceeding with Government site surveys at the remaining bases, which will deliver the necessary data needed to establish a fixed price for each base's unique mission requirements. The chief of staff is taking steps to modify the task order by separating each base into two different firm-fixed-price contractual requirements, one for site survey and one for the purchase and installation of the equipment. This process will be accomplished incrementally and is estimated to be completed by September 2009.

Our Response

The chief of staff comments were nonresponsive because the actions the chief of staff intends to take on the bases already initiated but not yet completed do not comply with FAR 16.202-1 “Firm-fixed-price contract.” Because the chief of staff comments were nonresponsive, we created a new Recommendation A.3., which recommends the Air Force terminate 2nd Gen task order FA8771-04-D-0007-TF03.

FAR 16.202-1 states that a firm-fixed-price contract provides for a price that is not subject to any adjustment on the basis of the contractor’s cost experience in performing the contract. This contract type places upon the contractor maximum risk and full responsibility to control costs. As a result, paying for any outstanding costs that the contractor experienced negates the contractor taking full responsibility to control costs. It also highlights that time-and-materials contracts require oversight and appropriate Government surveillance, neither of which the contracting officer sufficiently implemented on task order FA8771-04-D-0007-TF03.

C.2. We recommend that the Director, 653 Electronic Systems Wing correct prior incorrect funding and fully fund the remainder of the Second Generation Wireless Local Area Network task order with the correct appropriation and fiscal year funds.

Client Comments

The chief of staff, responding for the Director, 653 ELSW, partially agreed. He stated that correct appropriation and fiscal year funds should be used and an independent review team was established to investigate the identified findings dealing with fiscal year and “color of money” concerns. The chief of staff stated that full funding policies require annual budget requests to cover the total cost to deliver a given quantity of complete military usable end items, generally within a 12-month funded delivery period. This concept provides for timing the procurement of related items to coincide with the delivery of the end item. He stated that the program office planned and programmed funds in compliance with these policies via its P-Series documentation; however, the independent review team identified cases where funding actions once executed were not always consistent with these concepts. The chief of staff stated that ESC is taking steps to realign funds on the 2nd Gen task order to ensure compliance with full funding and bona fide needs requirements utilizing FY 2005, FY 2006, FY 2007, and FY 2008 funds.

Additionally, the chief of staff stated the independent review team analysis found that the 2nd Gen task order was appropriately funded with procurement funds and did not require research, development, test, and evaluation funding. According to the chief of staff, 2nd Gen is strictly a commercial off-the-shelf hardware and installation effort executed on a turn-key basis. The chief of staff stated that the vendor product selection and field service evaluations conducted at the beginning of the 2nd Gen task order meet the requirements for procurement funds based on the nature of work performed and Air Force Instruction 65-601, paragraph 8.19, to include engineering and design associated with the procurement effort. The realignment of funds will be completed by December 31, 2008.

Our Response

The chief of staff comments were partially responsive. The chief of staff agreed to make corrections but did not agree to fully fund the 2nd Gen contract using the correct appropriation and fiscal year funds. The confusion on contract type and actual implementation also contributed to inappropriate funding. Therefore, terminating task order FA8771-04-D-0007-TF03 will provide the Assistant Secretary of the Air Force (Acquisition) the opportunity to properly align program management, contract type, and funding to fully comply with Federal and DoD requirements.

The chief of staff stated that the PMO will implement the independent review team's corrective action to realign funds to meet full funding requirements. It is unclear with the limited detail provided to us how the chief of staff and the independent review team determined that the task order should not have been funded with FY 2005 funds when the following FAR, DFARS, FMR, and bona fide needs rule concepts indicate that the 2nd Gen task order should be funded with FY 2005 funds. The specifics of these are outlined below.

- Firm-Fixed-Price: FAR 16.202-1, states that a firm-fixed-price contract provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract. This contract type places upon the contractor maximum risk and full responsibility to control costs. The firm fixed price for all base site surveys and installations should have been established when the firm-fixed-price task order was awarded on August 29, 2005.
- Full Funding Requirements: FAR Subpart 32.703-1, "General," states that if the contract is fully funded, funds are obligated to cover the price or estimated cost of a fixed-price contract. DFARS Subpart 232.7, "Contract Funding," requires fixed-price contracts to be fully funded. The PMO awarded FA8771-04-D-0007-TF03 as a firm-fixed-price contract with FY 2005 funds. Therefore, because the PMO estimated that the task order would cost approximately \$34.2 million, at least \$34.2 million should have been available in FY 2005 funds in order to be fully funded at award date.
- Bona Fide Needs: The PMO established a need for Air Force-wide implementation of the 2nd Gen system in FY 2005 by awarding FA8771-04-D-0007-TF03 as a firm-fixed-price contract with FY 2005 funds on August 29, 2005. This need included the design solution for 2nd Gen, implementation and testing of that solution at the field site evaluation and two labs, and the survey and installation of 2nd Gen in approximately 25 percent of the buildings at 100 bases listed in the RFP. The PMO estimated that the task order would be completed in 2 years and 4 months.

The General Accountability Office's Red Book, Chapter 5, states that:

in order to obligate a fiscal year appropriation for payments to be made in a succeeding fiscal year, the contract imposing the obligation must have been made within the fiscal year sought to be charged, and the contract must have been made to meet a *bona fide* need of the fiscal year to be charged.

The Red Book further states

that payment is chargeable to the fiscal year in which the obligation is incurred as long as the need arose . . . in, that year applies even though the funds are not to be disbursed and the exact amount owed by the government cannot be determined until the subsequent fiscal year.

The Air Force established the bona fide need in FY 2005 for 100 bases.

- Other Funding Requirements: FMR, Volume 14, “Administrative Control of Funds and Antideficiency Act Violations,” states that a within-scope contract adjustment is properly chargeable to the funds that funded the original contract. The Air Force Attorney-Advisor stated that all the task order modifications were within the scope of the original task order. Therefore, all task order modifications, the additional \$143.4 million, should be funded with FY 2005 funds. However, the contracting officer only verified that \$1.6 million were available in FY 2005 funds, an amount \$32.6 million less than the Government-estimated cost and \$143.4 million less than the current task order value.
- Funding Contract Changes: DoD FMR Volume 3, Chapter 8, “Standards for Recording and Reviewing Commitments and Obligations,” further supports that the PMO should have funded the complete 2nd Gen task order, including all task order modifications with FY 2005 funds. Paragraph 080511, “Amendment,” states that change in the amount of the Government’s contractual liability that results from an amendment (within-scope change) to a contract is chargeable to the appropriation or other fund current at the time the contract was executed. However, specific applications of this paragraph shows that it applies to contracts containing provisions for amendments or modifications, contingent obligations, escalation clauses, price redetermination clauses, incentive provisions, or fees. The 2nd Gen task order does not contain any of these clauses or provisions; however, it does make significant within-scope task order modifications. It is unclear how the chief of staff proposed to apply paragraph 080511 of the FMR to 2nd Gen funding, but FMR, Volume 14, “Administrative Control of Funds and Antideficiency Act Violations,” October 2002, clearly states that within-scope contract adjustments are properly chargeable to the funds that funded the original contract.

The chief of staff stated that Air Force Instruction 65-601, “Budget Guidance and Procedures,” which defines turn-key procurement, was used to determine the fund type for the 2nd Gen task order. However, the 2nd Gen systems initial design solution and the implementation of the field site evaluation and the two labs identified in the RFP

initial order were not turn-key as the chief of staff stated. These sites were used to research the best solution for a wireless local area network; and develop, test, and evaluate design solutions to establish a wireless local area network to be implemented at 100 Air Force sites. This is validated in the original RFP (January 18, 2005) through amendment 12 of the RFP (July 14, 2005). The RFP identified the need for the contractors to develop a design solution using the field site evaluation, the CITS PMO lab at Hanscom AFB, and the enterprise network support center lab at Gunter AFB. For example, the January 18, 2005, version stated the contractors should submit their price proposal for the test and evaluation phase, develop a design solution to meet the 2nd Gen SRD requirements, submit lab test results, and develop installation and operational procedures for each component of wireless local area network architecture. It further states that the contractor shall provide technical support and early operational assessments, developmental and operational testing, and perform field service evaluation. Finally, the contractor shall provide a baseline for the 2nd Gen configuration at the field site evaluation. According to the FMR, Volume 2A, Chapter 1, development activities involved in bringing a program to its objective system are generally to be budgeted with research, development, test, and evaluation funds. Specifically, the FMR states that commercial off-the-shelf systems that require engineering design, integration, test, and evaluation to achieve the objective performance will be budgeted in research, development, test, and evaluation. Therefore, the \$4.3 million dollars for those sites must be funded with FY 2005 research, development, test, and evaluation funds.

C.3. We recommend that the Assistant Secretary of the Air Force (Financial Management and Comptroller):

- a. Initiate a preliminary investigation of the potential Antideficiency Act violation within 10 days of this report to determine whether a violation occurred.**
- b. Complete the preliminary investigation within 90 days as required by DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” and provide the results of the preliminary investigation to the Office of Inspector General.**

Client Comments

The Assistant Secretary of the Air Force (Financial Management and Comptroller) [SAF(FM)] agreed and stated that the Secretary of the Air Force, Financial Management Accounting and Reporting requested the Air Force Materiel Command Financial Management office initiate a preliminary investigation of the potential ADA violation. The preliminary investigation will determine whether violations occurred at the contracting office level or the PMO level. The preliminary investigation is still ongoing and once SAF(FM) is notified of the results, he will provide them to the DoD Office of Inspector General. Additionally, the SAF(FM) stated that if the preliminary investigation resulted in the determination of an ADA violation, a formal investigation will be conducted in accordance with DoD Regulation 7000.14-R and the results provided to the DoD Office of Inspector General.

The chief of staff for ESC stated that personnel have been appointed to conduct the preliminary ADA investigation. The preliminary review reports were due in early October. In addition, ESC is conducting in-house training for ADA and Full and Incremental funding policies in early October. Air Force Materiel Command was supposed to conduct the preliminary ADA investigation by October 30, 2008.

Our Response

The SAF(FM) and the chief of staff comments were responsive. However, the Air Force Materiel Command Financial Management office directed a contractor to conduct the preliminary ADA investigation. Therefore, we added Recommendation C.4.

Additionally, the Air Force Materiel Command Financial Management office provided the contractor with a copy of our “For Official Use Only” draft audit report that specifically states on the front cover that “Distributing this proposed report outside the DoD is not authorized.” The Air Force Materiel Command Financial Management office violated FAR 7.503(c)(1), “Policy,” by contracting out an inherently governmental function. Additionally, under FAR 37.114(c), “Special Acquisition Requirements,” contractors working in situations where their contractor status is not obvious to the third party are required to identify themselves as such to avoid creating an impression in the minds of members of the public or Congress that they are Government officials, unless, in the judgment of the agency, no harm can come from failing to identify themselves.

This harm was demonstrated when the contractor did not initially identify herself as a contractor to the auditor and solicited specific information. Further, the Air Force Materiel Command Financial Management office exacerbated the problem when it did not follow instructions to safeguard the draft report to prevent publication or improper disclosure of the information in the report. Therefore, the Air Force should immediately terminate the contract(s) for the potential ADA investigations, case numbers P08-09 and P08-10. The SAF(FM) must notify the DoD Office of Inspector General and provide in writing when that action is taken and provide positive assurance that the report was not published or improperly disclosed outside the Department of Defense to anyone other than the contractors for case numbers P08-09 and P08-10. We request the chief of staff submit a written plan of action with milestone dates of completion for these actions. Finally, the SAF(FM) and the chief of staff should immediately initiate a legal preliminary investigation of the potential ADA violation outside both their command structures and ensure that the Air Force not consider any of the findings completed by the contractor hired for ADA case numbers P08-09 and P08-10.

C.4. (New) We recommend the Air Force Materiel Command Financial Management office immediately terminate the contract(s) for the potential Antideficiency Act investigations, case numbers P08-09 and P08-10, and have a Government employee perform these inherently governmental functions.

Appendix A. Scope and Methodology

We conducted this performance audit from November 2007 to January 2008* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This is the first in a series of audits regarding the 2nd Gen program.

To evaluate whether the acquisition of the 2nd Gen program complied with appropriate Federal and DoD criteria for contracting, acquisition planning, and funding, we reviewed Federal and DoD acquisition requirements. Specifically, we examined sections of the FAR, the DFARS, DoD Regulation 7000.14-R, the Joint Travel Regulations, and the Air Force Network-Centric Solutions overall contract.

For the purposes of this report, we determined the Air Force will install the 2nd Gen system at 97 Air Force sites. We determined the number of Air Force installation sites by reviewing the 2nd Gen contract line item number structure. Each Air Force site contracted for installation in the 2nd Gen task order is associated with its own contract line item number. For example, Dover AFB is contract line item number 0072 on the task order. Modification 8 to the task order added 81 Air Force sites, modification 10 added 18 Air Force sites, and modification 23 added 1 Air Force site for 100 different Air Force sites contracted for installation. The Air Force has approved the removal of 3 sites from the task order, leaving 97 sites for installation.

We conducted this audit at two U.S. Air Force bases. Specifically, we visited and interviewed the 2nd Gen program management personnel at the 753 ELSG, Hanscom AFB, Bedford, Massachusetts. We also visited and interviewed the contracting officer at the 38th Engineering Installation Group, Tinker AFB, Oklahoma City, Oklahoma. In addition, we interviewed various DoD and Air Force personnel from the offices of the ASD(NII)/CIO; Secretary of the Air Force, Chief of Warfighting Integration and Chief Information Officer; Under Secretary of Defense, Comptroller; Assistant Secretary of the Air Force, Contracting Operations Office; and Secretary of the Air Force, Infrastructure and Network Operations Division Office.

We limited our scope to the task order for implementation of 2nd Gen in the primary (core) areas of installation at the 97 sites. We did not determine whether the program achieved operational capabilities or the contracts used to acquire the system supported those capabilities. We also did not determine whether the program was implemented within information assurance requirements. We plan to review these areas and make

* We conducted field work on the audit from November 2007 through April 2008 and issued our draft report on July 3, 2008. The last of the client comments to the draft report were provided on September 30, 2008. We received additional comments on January 8, 2009 for final report recommendation A.1. We reviewed and developed our response to the client comments from September 2008 until January 2009. We held discussions with the client after draft report issuance; however, we did not verify the information provided in their comments.

these determinations as part of our next project concerning the 2nd Gen system. This report specifically addresses whether the 2nd Gen acquisition had adequate acquisition planning, contracting oversight, and was adequately funded.

Use of Computer-Processed Data

We did not use computer-processed data to perform this audit.

Prior Coverage

During the last 5 years, the DoD Office of Inspector General has issued two reports discussing the Air Force Network-Centric Solutions contract and the acquisition of the Air Force Second Generation wireless local area network. Unrestricted DoD Inspector General reports can be accessed at <http://www.dodig.mil/audit/reports>.

DoD Inspector General

DoD Inspector General Report No. D2008-007, “Task Orders on the Air Force Network-Centric Solutions Contract,” October 25, 2007

DoD Inspector General Report No. D2007-106, “Air Force Network-Centric Solutions Contract,” June 29, 2007

Deputy Under Secretary of Defense (Acquisition and Technology) Director, Defense Procurement and Acquisition Policy Comments



OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

JAN 8 2009

ACQUISITION
TECHNOLOGY
AND LOGISTICS

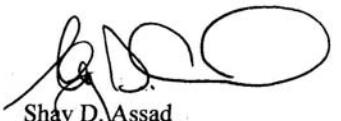
MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL, ACQUISITION AND CONTRACT MANAGEMENT

SUBJECT: Acquisition of the Air Force Second Generation Wireless Local Area Network

A1. We recommend the Deputy Under Secretary of Defense (Acquisition and Technology) director, Defense Procurement Acquisition Policy approve the Air Force contract strategy to complete the 2nd Gen program after the task order FA8771-04-D-0007-TF03 is terminated to ensure that the new contract(s) fully comply with the Federal contract laws and DoD policies. When completed, the Director should provide our office a plan of action with completion milestones.

Response: I partially concur. I note the Assistant Secretary of the Air Force (Acquisition) directed the PEO on 4 December 2008 to realign funding to correct the identified fiscal issues; to restructure the 2GWLAN contract so that it required two fixed price task orders for each base; one for site survey and one for installation; and to issue new RFPs to complete installation at 3 bases, site surveys at 7 bases, final design and installation at 17 bases and site surveys and individual installation at the remaining 40 bases. There is an OIPT scheduled in early February and I will ensure an effective contract strategy has been implemented and will provide the plan of action and milestones to the IG. A decision on termination should be based on the business case. It simply may not make fiscal sense for work already commenced at an installation to be terminated.

Further I am concerned the contracting officer reported up a program office chain of command vice a contracting chain. This is consistent with the Air Force Wing, Group, Squadron contracting structure that I believe does not provide adequate oversight of contracting officer actions nor does it provide for adequate checks and balances in the acquisition process.


Shay D. Assad
Director, Defense Procurement


Office of the Assistant Secretary of Defense (Networks and Information Integration) Comments

Final Report Reference



NETWORKS AND
INFORMATION
INTEGRATION

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
6000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-6000

AUG 06 2008

MEMORANDUM FOR PROGRAM DIRECTOR, INFORMATION TECHNOLOGY ACQUISITION, INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Response to OIG Draft Report Notification "Acquisition of the Air Force
Second Generation Wireless Local Area Network" (Report No. D2008-
D000AS-0078.000)

As requested, I am providing the Assistant Secretary of Defense (Networks and Information Integration) (ASD(NII)) response to recommendations A.1.a. through A.1.c. of the subject report.

Recommendation A.1.a.

Within 3 months of this report, establish an Overarching Integrated Product Team to perform a comprehensive review of the CITS program, with an emphasis on the Second Generation Wireless Local Area Network program, to determine whether the Air Force 753rd Electronic Systems Center followed the acquisition process outlined in DoD Directive 5000.1 and DoD Instruction 5000.2.

A.2.a.

Response - Partially concur:

The Second Generation Wireless Local Area Network (2nd GEN) is part of the Air Force Combat Information Transport System (CITS). Since CITS is a delegated ACAT IA program, we have very little information on either CITS or 2nd GEN. The Office of the Deputy Under Secretary of Defense (Science and Technology), Director, System and Software Engineering (DUSD(A&T)/SSE) has agreed to conduct a Program Support Review (PSR) on CITS, including 2nd GEN, to identify independent actionable recommendations to improve execution of the program. The PSR is scheduled to start in September 2008 and should be completed by the end of 2008. Once completed, we will provide you with a copy of the results of the PSR and from them, determine an appropriate course of action which may include an OIPT. Once we determine the appropriate action this office will take we will provide the IG with a plan of action and completion milestones.

Recommendation A.1.b. Identify and initiate corrective actions of all deficiencies identified by the Overarching Integrated Product Team to fully comply with DoD Directive 5000.1 and DoD Instruction 5000.2.

A.2.b.



Response - Partially concur:

As mentioned in our response to Recommendation A.1.a., we will determine an appropriate course of action once the PSR results are available. Once we determine the appropriate action this office will take, we will provide the IG with a plan of action and completion milestones.

Recommendation A.1.c. Determine whether the Second Generation Wireless Local Area Network task order should be terminated and recompeted based on realistic requirements that would fully inform prospective contractors.

A.1.c. was deleted

Response - Non-concur:

This recommendation is not within the authority of the ASD(NII). We request this recommendation be reassigned to the appropriate Air Force Head of Contracting Activity.

My point of contact is Mr. William May. He can be reached by telephone at (703) 602-2720 x106 or email at William.May@osd.mil.



Timothy J. Harp
DASD(C3ISR & IT Acquisition)

cc:

DUSD(A&T)/SSE/AS
DUSD(A&T)/DPAPSS

Office of the Deputy Assistant Secretary of the Air Force Financial Operations (Financial Management) Comments



DEPARTMENT OF THE AIR FORCE WASHINGTON DC

OFFICE OF THE ASSISTANT SECRETARY

SEP 08 2008

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

FROM: SAF/FMP
1130 Air Force Pentagon
Washington, DC 20330-1130

SUBJECT: Management Comments to Draft Report of Audit, *Acquisition of the Air Force
Second Generation Wireless Local Area Network*, D2008-D000AS-0078.000

This memorandum is in reply to the above audit that requested the Assistant Secretary of the Air Force, Financial Management and Comptroller (SAF/FM) provide Air Force comments on subject report. The Air Force concurs with the finding and recommendations listed below and have provided our response.

Finding: C.3. Department of Defense Inspector General (DoDIG) recommended that the SAF/FM:

- a. Initiate a preliminary investigation of the potential Antideficiency Act (ADA) violation within 10 days of this report to determine whether a violation occurred.
- b. Complete the preliminary investigation in a timely manner (within 90 days) as required by DoD Regulation 7000.14-R, *DoD Financial Management Regulation*, and provide results of the preliminary investigation to the DoDIG.

Response: On 24 July 2008, Secretary of the Air Force, Financial Management Accounting and Reporting (SAF/FMPR) sent Attachments 1 and 2 to the Air Force Materiel Command Financial Management (AFMC/FM) audit focal point requesting they initiate a preliminary investigation of the potential ADA violations noted in subject report. The investigation will determine whether violations occurred at the 38th Electronic Systems Group, Tinker AFB, OK and the 753rd Center Electronic Systems Center, Hanscom AFB, MA. The preliminary investigation is still on going and once SAF/FMPR is notified of the results, we will provide them to the DoDIG.

If the preliminary investigation results in the determination of an ADA violation, a formal investigation will be conducted in a timely manner in accordance with the DoD Regulation 7000.14-R, and the results will be provided to the Office of the Inspector General.

"Financing the Fight"

We have also attached ESC's comments to their respective audit findings and recommendations.

My point of contact is Ms. Karen M. Thomas, (703) 697-6052,
karen.thomas@pentagon.af.mil.



RICHARD P. GUSTAFSON
Deputy Assistant Secretary
Financial Operations
(Financial Management)

Attachments:

1. Preliminary ADA Letter w Case No. P08-09
2. Preliminary ADA Letter w/ Case No. P08-10
3. ESC Management Comments w/Appendix

cc:
SAF/XC
SAF/AQI
SAF/AQX
AFMC/FMPM



DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

OFFICE OF THE ASSISTANT SECRETARY

MEMORANDUM FOR AFMC/FM

JUL 24 2008

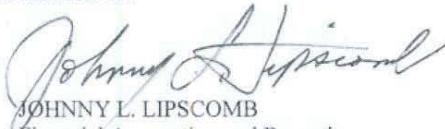
FROM: SAF/FMPR
1130 Air Force Pentagon
Washington, DC 20330-1130

SUBJECT: New Air Force Antideficiency Act (ADA) Violation Request for a Preliminary Review to Determine Whether an ADA Violation Occurred, Acquisition of the Air Force Second Generation Wireless Local Area Network (2G WLAN), Electronic Systems Center (ESC), Hanscom AFB MA

Your organization is requested to begin a preliminary review to determine whether a potential ADA violation has occurred and a formal investigation is necessary. This preliminary review results from a draft Department of Defense Inspector General (DoDIG) Report, Acquisition of the Air Force Second Generation Wireless Local Area Network (Project No. D2008-D000AS-0078.000), Contract FA8771-04-D-0009, RS70. The audit team reported that the PMO violated the FMR by funding nearly \$4.3 million of the task order with Procurement Funds rather than Research, Development, Test, and Development (RDT&E) Funds and \$143.4 million in modifications with incorrect fiscal year funds. These actions may have caused potential ADA violations under 31 USC 1341.

P08-09 is the preliminary review control number for this case. This is the first of two findings for this audit and we are establishing separate control numbers for each of them. Please complete the fact-finding phase and provide the preliminary review results to our office no later than 24 October 2008. Refer to Chapter 3, AFI 65-608, *Antideficiency Act Violations*, 18 March 2005, for instructions on performing a preliminary review. AFI 65-608 is available at the SAF home page (www.my.af.mil), on the Air Force Portal. After Portal log-in, click on "My Org," then "Sub-Organizations," then, "SAF/FMP," then "Products and Services," then "ADA Matters." If the preliminary review results determine that no violation exists and a legal review agrees this case will be closed. Additional reporting requirements and milestones will be provided if a formal investigation is necessary.

Please complete the Attachment and provide us the information requested no later than 6 August 2008. Please contact Mr. Michael Kyle, DSN 224-8405, or the undersigned, DSN 227-4638 if you have any questions or require additional information.



JOHNNY L. LIPSCOMB
Financial Accounting and Reporting
(Financial Management)

Attachments:
Preliminary ADA Information (P08-09)

**REPORTING INFORMATION FOR
PRELIMINARY ADA REVIEWS**

| | |
|--|--|
| 1. Case Number | P08-09 |
| 2. Status | |
| 3. Amount of Violation | \$143.4 million & \$4.3 million |
| 4. Appropriation | |
| 5. US Code Ref | Possible 31 USC 1341 |
| 6. Organization | Electronic Systems Center |
| 7. Location | Hanscom AFB MA |
| 8. Nature of Violation | The 2nd Gen PMO incorrectly funded \$4.3 million of the task order with procurement funds rather than research, development, test, and evaluation funds and funded \$143.4 million in modifications with incorrect FY funds. |
| 9. Date Potential Violation(s) Occurred | 7 February 2008 |
| 10. Date Potential Violation Discovered | November 2007 to June 2008 |
| 11. Date Investigation Began | |
| 12. Source of Potential Violation | DoDIG Draft Audit (Project No. D-2008-D000AS-0078.000) |
| 13. Brief Description of Potential Violation | The 2nd Gen Program Management Office (PMO) officials did not appropriately manage 2nd Gen as a major automated information system or adequately plan the program's acquisition. The PMO used procurement funds for the nearly \$4.3 million for the 2nd Gen design solution and system test and evaluation. Additionally, the PMO used procurement funds for the operational utility evaluation. The 2nd Gen PMO may have caused potential ADA violations by its erroneous funding of these research and development and testing efforts. |
| 14. Progress of Violation/Other Comments | |



DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

OFFICE OF THE ASSISTANT SECRETARY

MEMORANDUM FOR AFMC/FM

JUL 24 2008

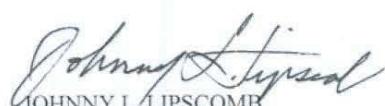
FROM: SAF/FMPR
1130 Air Force Pentagon
Washington, DC 20330-1130

SUBJECT: New Air Force Antideficiency Act (ADA) Violation Request for a Preliminary Review to Determine Whether an ADA Violation Occurred, Acquisition of the Air Force Second Generation Wireless Local Area Network (2GWLAN), 38th Engineering and Installation Group (EIG), Tinker AFB OK

Your organization is requested to begin a preliminary review to determine whether a potential ADA violation has occurred and a formal investigation is necessary. This preliminary review results from a draft Department of Defense Inspector General (DoDIG) Report, Acquisition of the Air Force Second Generation Wireless Local Area Network (Project No. D2008-D000AS-0078.000), Contract FA8771-04-D-0009, RS70. The audit team reported The 2nd Gen contracting officer did not implement required internal controls over 2nd Gen. The contracting officer potentially limited competition, accepted supplies and services valued at \$38.1 million that were not inspected for quality or quantity by a Government representative, and approved \$798,298 potential overcharges for contractor travel costs. Nor did she ensure the task order was fully funded at award. These actions may have caused potential ADA violations under 31 USC 1341.

P08-10 is the preliminary review control number for this case. This is the second of two findings for this audit and we are establishing separate control numbers for each of them. Please complete the fact-finding phase and provide the preliminary review results to our office no later than 24 October 2008. Refer to Chapter 3, AFI 65-608, *Antideficiency Act Violations*, 18 March 2005, for instructions on performing a preliminary review. AFI 65-608 is available at the SAF home page (www.my.af.mil), on the Air Force Portal. After Portal log-in, click on "My Org," then "Sub-Organizations," then, "SAF/FMP," then "Products and Services," then "ADA Matters." If the preliminary review results determine that no violation exists and a legal review agrees this case will be closed. Additional reporting requirements and milestones will be provided if a formal investigation is necessary.

Please complete the Attachment and provide us the information requested no later than 6 August 2008. Please contact Mr. Michael Kyle, DSN 224-8405, or the undersigned, DSN 227-4638 if you have any questions or require additional information.



JOHNNY L. LIPSCOMB
Financial Accounting and Reporting
(Financial Management)

Attachments:
Preliminary ADA Information (P08-10)

**REPORTING INFORMATION FOR
PRELIMINARY ADA REVIEWS**

| | |
|--|--|
| 1. Case Number | P08-10 |
| 2. Status | |
| 3. Amount of Violation | |
| 4. Appropriation | |
| 5. US Code Ref | Possible 31 USC 1341 |
| 6. Organization | 38 TH EIG |
| 7. Location | Tinker AFB OK |
| 8. Nature of Violation | The contracting officer at the 38th Engineering and Electronics Group did not properly administer the 2nd Gen task order. |
| 9. Date Potential Violation(s) Occurred | 7 February 2008 |
| 10. Date Potential Violation Discovered | November 2007 to June 2008 |
| 11. Date Investigation Began | |
| 12. Source of Potential Violation | DoDIG Draft Audit (Project No. D-2008-D000AS-0078.000) |
| 13. Brief Description of Potential Violation | The 2nd Gen contracting officer violated the FAR and DFARS when she established a firm-fixed-price task order that was not fully funded. At the time the task order was awarded the PMO estimated that the task order would cost approximately \$34.2 million. FAR Subpart 32.703-1, "General," states that if the contract is fully funded, funds are obligated to cover the price or target price of a fixed-price contract or the estimated cost. While the contracting officer verified that \$1.6 million in FY 2005 funds were available for the 2nd Gen task order, she should have verified that sufficient FY 2005 funds were available to cover the Government estimate of \$34.2 million. |
| 14. Progress of Violation/Other Comments | |

Air Force Electronic Systems Center Comments



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS ELECTRONIC SYSTEMS CENTER (AFMC)
HANSOM AIR FORCE BASE MASSACHUSETTS



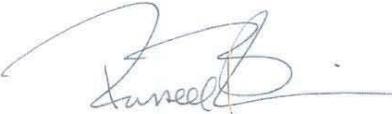
AUG 26 2008

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDITING
OFFICE OF THE INSPECTOR GENERAL
DEPARTMENT OF DEFENSE

FROM: ESC/CS
9 Eglin Street
Hanscom AFB, MA 01731

SUBJECT: Report on Acquisition of the Air Force Second Generation Wireless Local Area
Network, dated 3 July 2008 (Project D2008-D000AS-0078.000)

1. This is in reply to your memorandum requesting the Director, 753rd Electronic System Group, and the Director of Contracting, Electronic Systems Center to provide Air Force Comments on subject report.
2. Overall, the Electronic Systems Center has concurred or concurred with intent to the DoD Inspector General Draft report recommendations that were directed to our organizations. The Electronic Systems Center has taken corrective actions and is monitoring open actions. Specific management comments are attached.
3. If you have any questions or concerns with our comments, please contact Joyce Burchsted, ESC/FMP, DSN 478-8179.



RUSSELL J. BLAINE

Colonel, USAF
Chief of Staff.

Attachments:

1. Management Comments

America's Air Force -- No One Comes Close

U.S. AIR FORCE

Draft AF Response – DoD IG Audit

Acquisition of the Air Force Second Generation
Wireless Local Area Network

Ref: DoD IG Project No. D2008-D000AS-0078.000
29 August 2008 (amended)

Version 4.2
24 Sep 08

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OBJECTIVE

Provide the recommended Air Force (AF) position through SAF/FMP to the Department of Defense Inspector General (DoD IG) in response to their recommendations in the draft report of the “Acquisition of the Air Force Second Generation Wireless Local Area Network,” Project No. D2008-D0000AS-0078.000, dated 3 July 2008.

ESC RECOMMENDED RESPONSES

Overall AF concurs or concurs with intent on the DoD IG draft report recommendations that were directed to ESC. AF comments on each specific recommendation are shown below. For purposes of ease in referring to specific paragraphs and comments in the draft report, each recommendation from the DoD IG draft report is extracted and italicized. The AF comments are listed below each recommendation.

DoD IG DRAFT REPORT AND ESC RECOMMENDED RESPONSES

“a. Within 3 months of this report establish an Overarching Integrated Product Team to perform a comprehensive review of the CITS program, with an emphasis on the Second Generation Wireless Local Area Network project, to determine whether the Air Force 753rd Electronic Systems Center followed the acquisition process outlined in DoD Directive 5000.1 and DoD Instruction 5000.2.”

Recommended Position: N/A. Although not directed at AF, AF is committed to support an OIPT, if established.

“b. Identify and initiate corrective actions of all deficiencies identified by the Overarching Integrated Product Team to fully comply with DoD Directive 5000.1 and DoD Instruction 5000.2.”

Recommended Position: N/A. Although not directed at AF, AF is committed to support an OIPT, if established.

“c. Determine whether the Second Generation Wireless Local Area Network task order should be terminated and re-competited based on realistic requirements that would fully inform prospective contractors.”

Recommended Position: N/A

Response: AF is ready to support DoD evaluation of the program course of actions (COAs) if requested. Termination could be one of the courses of action evaluated.

| | |
|--|--|
| | <p>Final Report Reference</p> <p>A.4.</p> <p>A.4.a.</p> <p>Recommended Position: Concur</p> <p>Response: AF concurs and ESC suspended the Second Generation Wireless delivery order. ESC is restructuring the order to ensure the quantities and types of core buildings will be fully captured at each base before starting Second Generation Wireless installation at each base. Although ESC followed a structured process to definitize requirements beyond the initial delivery order baseline, ESC agrees the amount of CCPs per base gives the impression of an undefinitized requirement.</p> <p>At the time the order was awarded, AFCA and 753 ELSG did not have a definitive list of buildings for each site; however, there was a core building area coverage model in place, which provided industry the ability to adequately scope core building requirements. The site specific requirements were defined in the RFP utilizing this coverage model. The area coverage model estimated the total number of buildings at 25% of Information Transport System (ITS) core buildings, which was clearly defined. Analysis of actual data from 31 bases with a final validated building list shows the project has averaged 28% coverage rather than the anticipated 25%. The accuracy of the coverage model demonstrates that site requirements were adequately defined within the RFP at the time of the fair opportunity competition. To address the appearance of an undefinitized requirement, ESC is taking steps to restrict further cost growth on the order. The PMO and contracting officer are restructuring the order to better define and estimate cost of the site-specific requirements and negotiate FFPs for each base in two steps, first for the site surveys and second for the installation effort. The PMO will conduct Government pre-site surveys for each base and provide the pre-site survey data to the contractor. This data will be used to negotiate a complete FFP for the base site survey. Following completion of the base site survey, the installation effort will be negotiated as a FFP. This sequencing will ensure the base specific requirements are firmly established. Additionally, as part of the restructure, a maximum delivery order value will be established along with contingent liabilities as required in accordance with DFAS Interim Guidance on Accounting for Commitments, which allows adjustments on FFP contracts/orders provided 1) a maximum contract/order amount is established; and 2) contingent liabilities are used as required. Estimated Completion Date: Incrementally implemented with completion of restructure in September 2009. OPEN.</p> <p><i>b. Establish a fixed price for the Second Generation Wireless Local Area Network task order.</i></p> <p>Recommended Position: Concur</p> |
|--|--|

Response: The PMO and contracting officer are restructuring the order to better define and estimate cost of the site-specific requirements and negotiate FFPs for each base in two steps; first for the site surveys and second for the installation effort. As part of the restructure, a maximum delivery order value will be established as required in accordance with DFAS Interim Guidance on Accounting for Commitments. **Estimated Completion Date: Incrementally implemented with completion of restructure in September 2009. OPEN.**

“c. Fully fund the Second Generation Wireless Local Area Network program’s firm-fixed-price task order for all remaining Air Force sites using the correct appropriation and fiscal year funds.”

A.4.c.

Recommended Position: Concur

Response: The PMO will implement the ESC Independent Review Team (IRT) corrective action of realignment of funds by base in order to meet the full funding and bona fide need rule. In response to the DoD IG discussion draft issued in April 2008, ESC/PK/FM/JA and 653 ELSW established in early May the IRT that investigated the discussion draft findings with respect to correct year funds. While the IRT did not agree with the DoD IG that the full Second Generation Wireless delivery order should be funded with FY2005 funds, the IRT did identify issues with the alignment of fiscal year funds by bases. While the bases are within scope of the original order, each site/base fielded under this project is a separate, fully usable end item and is therefore a new delivery versus a modification to a prior item. In this instance, Full Funding/Bona Fide Need concepts and Volume 3, Chapter 8, paragraph 080511 apply and therefore, Full Funding can be met by funding each base with a single fiscal year appropriation. As previously addressed, the program office recognizes adjustments are required to fully comply with this policy and is in the process of implementing corrective actions. As a result, ESC is realigning funds on the Second Generation Wireless delivery order to meet full funding and bona-fide need requirements. Sufficient funds were appropriated for this project. Please see the response to recommendation C.2 for further information. **Estimated Completion Date: Incrementally implemented with completion of restructure in September 2009. OPEN.**

“B. We recommend that the Director of Contracting, Electronic Systems Center suspend the Second Generation Wireless Local Area Network task order until she completes the following actions.”

“1. Conduct an independent review outside the 38th Engineering Installation Group of the current contracting officer’s training, skills, and performance to determine whether her contracting warrant should be withdrawn.”

Recommended Position: Concur

Response: The order has been suspended pending resolution and restructure of identified issues. The contracting officer’s training, skills, and performance have been reviewed, and it is the Director of Contracting, ESC, determination that termination of her warrant is not merited. The

Director of Contracting, ESC, provided two days of intense refresher training addressing the issues highlighted in the audit to both the contracting officer and her supervisor on 12-13 Aug 2008. The Director of Contracting, ESC, has required the contracting officer's supervisor to provide closer day-to-day supervision and coaching. The Director of Contracting, ESC, will provide general refresher training to the 38 EIG/PK organization NLT 1QFY09. Lastly, the Director of Contracting, ESC, will provide Clearance Review and Approval for all major modifications (i.e., funding realignments and restructure modifications). **Completion Date: 13 Aug 08. CLOSED.**

"2. Assign an alternate independent contracting officer to oversee the Second Generation Wireless Local Area Network task order."

Recommended Position: Concur with Intent

Response: An alternate contracting officer was considered, however assignment of another contracting officer would only delay restructure, due to the loss of historical knowledge and the time it would take a new contracting officer to become knowledgeable on the Second Generation Wireless project and the order. Additionally, the Director of Contracting, ESC, has determined that the contracting officer in question has professionally performed duties assigned and is qualified to support the Second Generation Wireless order. Further, there are limited contracting officer resources at both the 38 EIG and the CITS PMO; none can readily put aside current workload and step in to work Second Generation Wireless. The Director of Contracting, ESC, has required the current contracting officer's supervisor provide closer day-to-day oversight and coaching. Additionally, the Director of Contracting, ESC, will provide Clearance and Review Approval for all major modifications (i.e., funding realignments and restructure modifications). **Completion Date: 21 Aug 08. CLOSED.**

"3. Develop and implement a quality assurance surveillance plan, including an independent test plan, for the Second Generation Wireless Local Area Network task order in accordance with Federal Acquisition Regulation Subpart 46.4 "Government Contract Quality Assurance," issued March 2005, and Defense Federal Acquisition Regulation Supplement Subpart 246.102(I), "Policy," revised May 2006, to ensure a conflict of interest situation is not created."

Recommended Position: Concur with Intent

Response: Quality assurance plans will be developed and implemented during the restructure of the order, an incremental process. While not part of a formal written QASP, the processes already in place for contractor surveillance and system acceptance testing constituted adequate and sufficient oversight and monitoring of contractor performance. Approval of documents and assessment of contractor performance are accomplished by Government employees. The Government has several organizations involved in closely monitoring the contractor's progress in installing the system at respective bases, including members of the PMO, the 46 Test Squadron, and communications specialists at the respective bases. The engineering team in the PMO reviews and approves the system test plan and monitors the System Acceptance Test (SAT) process to ensure the system functions as required prior to turnover at individual bases.

Estimated Completion Date: Sep 09. OPEN.

"4. Assign a contracting officer's representative(s) for the Second Generation Wireless Local Area Network task order in accordance with the Defense Federal Acquisition Regulation Supplement Procedures, Guidance, and Information 201.6, "Contracting Authority and Responsibilities," revised December 1, 2006; Defense Federal Acquisition Regulation Supplement Subpart 201.602-2, "Responsibilities," revised December 1, 2006; and Air Force Instruction 63124, "Performance-Based Services Acquisition," August 1, 2005. "

Recommended Position: Concur

Response: A contracting officer's representative(s) will be assigned as the order is restructured. The processes currently in place, while not part of a formal written QASP, for contractor surveillance and system acceptance testing constitute adequate and sufficient oversight and monitoring of contractor performance. Approval of documents and assessment of contractor performance are accomplished by Government employees. Support contractors provide advisory and assistance services to Government project leads in regards to project progress. The Government has several organizations involved in closely monitoring the contractor's progress in installing the system at respective bases, including members of the PMO, the 46 Test Squadron, and communications specialists at the respective bases. **Estimated Completion Date: Sep 09. OPEN.**

"5. Evaluate oversight procedures for acceptance of supplies and services to ensure the procedures meet the requirements in Federal Acquisition Regulation Subparts 45.402, "Title to Contractor-Acquired Property"; 46.101, "Definitions"; 46.103, "Contracting Officer's Responsibilities"; 46.501, "General"; and 46.502, "Responsibility for Acceptance," issued March 2005; and that all DoD Forms 250, "Material Inspection and Receiving Report," are accurate, auditable, and in accordance with Federal Acquisition Regulation Subpart 46.501 before receiving contracting officer approval. "

Recommended Position: Concur

Response: Changes in process have been identified and are being implemented incrementally in the restructure of the order. The restructuring of the order, development of quality assurance plans and assignment of contracting officer representatives will ensure that the delivered supplies and services meet all contract requirements and all DD Forms 250 "Material Inspection and Receiving Reports" are accurate, auditable and in accordance with FAR Subpart 46.501 before receiving approval from the appropriate Government representative. **Estimated Completion Date: Sep 09. OPEN.**

"6. Correct all contractor travel charges for prior travel incurred on the Second Generation Wireless Local Area Network task order to the actual costs for airfare and rental cars and recover from the contractor all overcharged expenses, including the facilities capital cost of money."

Recommended Position: Concur with Intent

Response: Under the order restructure, a FFP for the entire price to install the Second Generation Wireless system at each base will be negotiated, to include travel. The contracting officer will recoup FCCOM costs where possible, review all rental car expenses and conduct an audit of all travel costs. Where determined appropriate, excess travel costs will be recouped.

Estimated Completion Date: 31 Jan 09. OPEN.

“7. Pre-approve all future contractor travel for the Second Generation Wireless Local Area Network task order in accordance with the Air Force Network-Centric Solutions indefinite-delivery, indefinite-quantity contract.”

Recommended Position: Concur with Intent

Response: The NETCENTS contract permits travel to be included as part of the overall FFP solutions line item; therefore, once the price has been firmly negotiated, that will constitute approval of the travel and no further approval is necessary. This will be implemented incrementally with the restructure of the order. **Estimated Completion Date: Sep 09. OPEN.**

“8. Require the contractor to provide receipts for all travel expenses; then verify that the contract change proposals include only valid travel charges.”

Recommended Position: Concur with Intent

Response: Travel will be negotiated as part of the overall firm fixed prices for each base, not as a separate Cost Reimbursable line item, so no receipts for travel will be required. Contractor Change Proposals should be very few, if any, after the restructure and any travel costs on such CCPs should only be for travel required to address changes to the requirements, not to adjust previously negotiated requirements. This will be implemented incrementally with the restructure of the order. **Estimated Completion Date: Sep 09. OPEN.**

“9. Determine whether administrative or criminal actions should be pursued against the contracting officer and contractor if the contractor submitted travel charges are determined to be incorrect.”

Recommended Position: Concur

Response: The Director of Contracting, ESC, in conjunction with the Independent Review Team, did not find any indications of criminal or negligent activities related to the travel charges. The Director of Contracting, ESC, has determined that no criminal action against the contracting officer or contractor is merited based upon current known information. Review and recoupment of travel charges will be accomplished as appropriate (see B.6 for estimated completion date), and refresher training will be conducted for the contracting officer, supervisor and 38 EIG/PK. **Completion Date: 30 Sep 08. CLOSED.**

“C.1. We recommend that the Director of Contracting, Electronic Systems Center ensure that the

Director of Contracting for the 38th Electronic Systems Group establishes a price for this firm-fixed-price task order to complete full implementation of the U.S. Air Force Second Generation Wireless Local Area Network system.”

Recommended Position: Concur with Intent

Response: ESC is taking steps to modify the Second Generation Wireless delivery order to capture any outstanding costs and to establish a firm-fixed price for bases already initiated but not yet completed and for those bases not yet initiated. 753 ELSG is proceeding with Government site surveys at remaining bases, which will deliver the necessary data needed to establish a fixed price for each base's unique mission requirements. Contractual requirements with the prime contractor will be implemented in two Stages (1) Contractor FFP- site survey followed by (2) FFP equipment purchase & installation. **Estimated Completion Date: Sep 09.** OPEN.

“C.2. We recommend that the Director, 753rd Electronic Systems Center correct prior incorrect funding and fully fund the remainder of the Second Generation Wireless Local Area Network task order with the correct appropriation and year funds.”

Recommended Position: Concur with Intent

Response: AF concurs that correct appropriation and fiscal year funds be used. In response to the discussion draft issued in April, ESC/PK/FM/JA and 653 ELSW established an Independent Review Team (IRT) in early May to investigate the identified findings with respect to fiscal year and color of money concerns.

The IRT analysis found that the Second Generation Wireless delivery order did not require all FY2005 funds. Full Funding policies require annual budget requests cover the total cost to deliver a given quantity of complete military usable end items; generally within a 12 month funded delivery period. Accompanying the full funding policy is the concept of time-phased procurement. This concept provides for timing the procurement of related items to coincide with the delivery of the end item. The program office planned and programmed funds in compliance with these policies via their P-Series documentation. However, the IRT identified cases where funding actions once executed were not always consistent with these concepts. As a result, ESC is taking steps to realign funds on the Second Generation Wireless delivery order to ensure compliance with full funding and bona-fide need requirements utilizing FY05, FY06, FY07 and FY08 funds as identified in the Congressional Documentation.

The IRT analysis found that the Second Generation Wireless delivery order was appropriately funded with procurement funds and did not require RDT&E funding. This is strictly a COTS hardware and installation effort executed on a turn-key basis. The vendor product selection and field service evaluations conducted at the beginning of the Second Generation Wireless delivery order meet the requirements for procurement funds (3080) based on the effort/nature of work performed and as outlined in AFI 65-601, paragraph 8.19 to include engineering and design associated with the procurement effort. **Estimated Completion Date for realignment: 31 Dec 08.** OPEN.

“C.3. We recommend that the Assistant Secretary of the Air Force (Financial Management and Comptroller):”

- “a. Initiate a preliminary investigation of the potential Anti-Deficiency Act violation within 10 days of this report to determine whether a violation occurred.”*
- “b. Complete the preliminary investigation in a timely manner (within 90 days) as required by DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” and provide the results of the preliminary investigation to the Office of Inspector General.”*

Recommended Position: Concur

Response: a. AFMC has appointed personnel to conduct the Preliminary Anti-Deficiency Act investigations. b. Preliminary Review Reports (PRRs) are due back to AFMC in early October. In addition, ESC is conducting in-house training in early October on the Anti-Deficiency Act as well as Full and Incremental Funding policies. Estimated Completion Date: 30 Oct 08. OPEN.

CLARIFICATION OF FACTUAL ERRORS IDENTIFIED IN DOD IG AUDIT REPORT

For purposes of ease in referring to specific paragraphs and comments in the draft report, each paragraph of the report has been annotated with a letter and number to correspond to the specific area of the report. For example, paragraph B.1, corresponds to the first paragraph of the Introduction, under “Background” at page 1 of the draft report; paragraph F.A.1, corresponds to the first paragraph of the “Finding A. Program Management Office Acquisition Planning” at page 3; etc. For convenience, a copy of the DoD IG Draft Audit Report can be found at Tab 2.

1. B-2: The audit states that the contractor has completed installation of Second Generation Wireless at 11 of the 97 AF sites.

Factual Clarification: There are currently 97 installation sites on the delivery order: 28 sites have been completed; there are 67 installation sites remaining, and 2 sites currently on the delivery order which will be removed in a future contract modification. At the initial delivery order award, 98 bases were identified as having a wireless requirement.

Subsequent to delivery order award, AFCA determined that Cavalier, Clear and Sembach Air Stations no longer had a wireless requirement. As a result, an order modification (Modification 23) was generated to remove them as a requirement from the delivery order. Additionally, a new requirement was identified at Cheyenne Mountain and it was also added to the order via Modification 23. Recently, a determination was made by AFCA that New Boston and Thule also no longer have a wireless requirement (See Tab 8). These bases will also be removed from the delivery order in a future modification. The total number of bases will be 96 after the restructure and realignment of funds.

2. F.A.1: Factual Clarification: The audit uses incorrect terminology for the organizations managing Second Generation Wireless.

Revised

Factual Clarification: The report uses two incorrect references for organizations associated with Second Generation Wireless: 753 Electronic Systems Center and 753 Electronic Systems Engineering Group. The Second Generation Wireless project is managed by the 753 Electronic Systems Group (753 ELSG). The project manager is a member of the 753 ELSG. Organizationally, the 753 ELSG Commander reports to the 653 Electronic Systems Wing Director. The 653 Electronic Systems Wing Director reports to the Electronics Systems Center Commander. Additionally, the 38 Engineering Installation Group (38 EIG) Commander reports to the Electronics Systems Center Commander. The contracting officer for the Second Generation Wireless project is a member of the 38 EIG.

3. F.B.1: Factual Clarification: Administrative Note for Finding B, the 38th Engineering and Electronics Group is the 38th Engineering Installation Group

Revised

4. **F.C.1: Clarification:** The report refers to \$143.4M in modifications. We want to clarify that the term “modification” refers to contract modifications, not technical modifications to pre-existing systems.

APPENDIX A

BACKGROUND

Combat Information Transport System (CITS) began as an ACAT III/IV program in 1994, with the PMD stating that the program was in phase III, acquiring Commercial Off The Shelf (COTS), and being implemented using standard commercial practices. The CITS program throughout its history has always been seen as a single entity with tailored reporting requirements. As such, CITS historical precedence has been to manage all of its projects under the overarching CITS umbrella (e.g., Program of projects). The Second Generation Wireless project is an example of project covered by the overarching CITS umbrella. The most recent annual ASD/NII Oversight list designates CITS as an ACAT IAC, Major Automated Information System (MAIS) program affirming that projects within CITS are covered by the CITS umbrella. In an attempt to address the uniqueness of a COTS program, CITS has been re-designated many times in an attempt to fit the program into the DoD acquisition management structure. But in every case, CITS remained a single entity and the projects within covered by the overarching CITS umbrella. The following illustrates the point:

- 1994 – CITS designated ACAT III/IV, CITS was formerly known as Base Information Digital Distribution System (BIDDS) (See Tab 3.a)
- 1994 – AF/XOF directed consolidation of C4I Transportation Systems (See Tab 3.b)
- 1994 – 2003 CITS deployed COTS/Government Off-The-Shelf (GOTS) products with AF Chief Information Officer (CIO) oversight as a special interest major Information Technology (IT) Initiative
- 1995 – CITS (BIDDS) required to do quarterly reporting to Major Automated Information System Review Council (MAISRC) (See Tab 3.c)
- 1995 – Designation of Major Automated Information System Program (See Tab 3.d)
- 1996 – CITS subject to CIO review rather than MAISRC oversight
 - “Special interest major IT initiatives are generally infrastructure investments, and do not require traditional MAISRC oversight” (See Tab 3.e).
 - CITS was required to submit MAIS reports in the Department of Defense Regulation (DoDR) 5000.2-R format on a quarterly basis, which would be submitted to the CIO and ultimately to ASD (C3IA) (See Tab 3.f).
- 1997 – AF PEO requires CITS to do Monthly Activity Report (MAR) and Defense Acquisition Executives Summary (DAES) reporting (See Tab 3.g)
- 2002 – OASD/C3I eliminated DAES reporting requirement
- 2003 – Designated ACAT 1AM Pre-MAIS, with ASD/NII Milestone Decision Authority (MDA)
- 2005 – CITS ACAT IAC MAIS, MDA delegated to the component

- 2006, 2007, 2008 - ASD/NII Oversight lists, designate CITS as an ACAT IAC, MAIS program affirming that projects within CITS are covered by the CITS umbrella (See Tabs 3.h, 3.i, 3.j, Designation Letters)

In summary, CITS has been and remains a single entity and the projects within covered by the overarching CITS umbrella.

The CITS program includes three (3) product areas, which are funded under a single Program Element and managed by the CITS Program Office within the 753 Electronic Systems Group (753 ELSG), located at the Electronic Systems Center (ESC), Hanscom Air Force Base, Massachusetts. CITS is the AF component of the National Information Infrastructure (NII) and the Defense Information Infrastructure (DII). CITS modernizes the enterprise Information Technology (IT) infrastructure at bases globally. CITS projects upgrade base/site information transport, management and protection capabilities by replacing maintenance-intensive equipment, replacing or upgrading existing voice switching systems, providing network management of information systems, increasing the capacity of saturated information transmission systems and providing information protection tools. This is the primary AF program to install complete, secure, fiber-optic and wireless infrastructure to mission-critical fixed-base facilities. CITS also supports the build-up of AF Cyber Command's Air Force Network Operations (AFNetOps) construct supporting network situational awareness (SA) and command and control (C2). AFNetOps will centralize command and control and security of the AF Enterprise. CITS provided infrastructure ensures the warfighter and wing command center full access to real-time command and control (C2) information during contingencies. Lack of C2 access would severely limit reach-back capability supporting deployable push/pull information capability and impede proactive information protection countermeasures to support collaborative information exchange. The three product areas are described in the P-Series Documentation (See Tab 4e; See also, Tabs 4a-d for further information on CITS program):

- INFORMATION TRANSPORT SYSTEM (ITS): The ITS product area implements and upgrades a broad-band, fiber-optic and wireless digital information transport network to provide near-instantaneous information transfer for each base and selected geographically separated units. It provides reliable and survivable information transport with sufficient capacity to meet the classified and unclassified data, voice, video, imagery and telemetry requirements at each fixed location. ITS further expands the Secure Internet Protocol Router Network (SIPRNET) infrastructure--the backbone to joint and coalition warfighting. Any delay in ITS installation will impact the schedules of C2 and combat support automation modernization programs dependent upon the in-place fiber optic ITS infrastructure. Installs may include: fiber optic backbone, network equipment, encryption devices, Virtual Private Networks (VPN), voice and video interfaces, building wiring, Second Generation Wireless, network access, training, test and support.
- NETWORK MANAGEMENT/NETWORK DEFENSE (NM/ND): The NM/ND product area delivers and updates a modern network management system and puts in place a

leading edge network infrastructure critical for AFNetOps Transformation. NM/ND implements AFNetOps transformation, provides enterprise asset management, delivers AF Gateway and base security and management upgrades and implements network SA & C2 capabilities including the Cyber Control System (CCS). AFNetOps transformation implements an AF Network Operations Center (AFNOC) comprised of the Network Security, Network Operations, and Network Control Divisions. The AFNetOps transformation includes consolidation of network management into Integrated Network Operation and Security Centers (INOSC) to include their supporting Detachments and other organizations that enable centralized management and defense of the network enterprise. NM/ND provides the information assurance, network management and telephonic management and protection tools for AFNetOps operating locations to detect, analyze, deter, isolate, contain, reconstitute and recover from information systems and network security intrusions or attacks.

- VOICE SWITCHING SYSTEM (VSS): Funds direct mission support and procures upgrades for the 380 switches in the AF inventory to support converged voice and data traffic onto a single network transport layer.

CITS utilizes the AF NETCENTS contract for all three product areas. The NETCENTS contract was established in 2004 to provide AF, Department of Defense and other Federal Agencies a primary source of networking equipment/product supply and a means of system engineering, installation, integration, operations, and maintenance for a family of Department of Defense (DoD) adopted commercially standardized networking solutions that are interoperable with AF, Joint, and DoD Standardized Networking Technical Architectures. Eight vendors were selected for awards utilizing multiple award indefinite delivery indefinite quantity (IDIQ) contracts. Competition for this order utilized fair opportunity and was restricted to NETCENTS Primes in accordance with (IAW) FAR Part 16.505.

The Network Centric Solutions (NETCENTS) Concept is a multi-faceted approach to achieve the AF Vision for standardization and interoperability across responsive, seamless, and secure AF networks. The concept seeks to establish (1) an AF enterprise contract vehicle to be used by AF elements to purchase Information Technology (IT) Network products and services, and (2) establish an AF-wide policy to direct and govern transition to standard and interoperable networks.

The NETCENTS contract, in part, provides for the coverage of all Network-related IT COTS products, security (firewalls, VPN, encryption and decryption, physical and logical, etc.), system solutions and the hardware, software and materials to design, install, support and maintain Net-Centric Information Technology, Networking, Telephony, and Security (NCITNTS) physical and logical systems. (Id., p. 1, ¶ C.1.1.1) Individual Information Technology and Infrastructure Architectures anticipated to be included on the NETCENTS contract, but were not limited to, were “Information Assurance, Voice Switching, Communication Satellites, Network Management, Multimedia, Electronic Messaging, Information Management, Wireless and

Micro-wave communications, E-Business/E-commerce Information Technology applications/systems, AF's NIPRNET/SIPRNET and Combat Information Transfer System (CITS)" (Id.)

In a formal Acquisition Strategy Panel (ASP) held on 6 November 2003 and co-chaired by the AF Program Executive Officer for Combat Mission Support and the Chief of ESC's Infrastructure Architecture/Standards Directorate, then known as ESC/NI, currently 653 ELSW (Air Force Material Command (AFMC)), the AF approved the proposed acquisition strategy that established NETCENTS as an Enterprise contract designed to provide the technical requirements of the operational uses, as well as specific contractual language to support the AF vision for an Enterprise network system" (Id., p. 6, ¶ C.1.3.1). The NETCENTS contract vehicle was competed using full and open competition. On 13 Apr 2005, the NETCENTS Mandatory Use Decision Matrix policy was issued making this contract vehicle mandatory for all Network and Network-Centric support obtained by the AF (See Tab 6, HQ OSSG/KA Decision Matrix, 13Apr 2005). Use of any other contract vehicle by AF personnel requires prior written approval by the MAJCOM or Agency CIO.

During the same time period, the Air Force Communications Agency (AFCA) was gathering data from the field and found that units were deploying non-standard, non-secure heterogeneous Wireless Local Area Network (WLAN) solutions across the AF network at base-level locations to meet mission requirements. Lt Gen Kenne (AF/XI) released a policy memo instituting a moratorium on non-standardized wireless systems in support of a CITS deployed standard AF solution (See Tab 7, WLAN Policy Memo, 24 Jul 2003). In turn, the CITS program was tasked to deploy a standard and secure solution to replace all legacy non-compliant implementations at 97 bases worldwide. To meet the need, the CITS program office is deploying the Second Generation Wireless project complying with AF and DoD mandates for Public Key Infrastructure (PKI) Common Access Card (CAC) authentication support, Federal Information Processing Standards (FIPS) validation encryption, classified wireless access, real-time monitoring of traffic, centralized WLAN situational awareness and management, prevention of unauthorized access, and detection of rogue WLAN access points (AP) in accordance with DoD Directive 8100.2, AFI 33-202, and the DISA Security Technical Implementation Guide (STIG). The Second Generation Wireless project is the AF standard for secure wireless and meets future weapon system needs (e.g., F-22, F-35).

The 38 EIG/PK awarded the Second Generation Wireless delivery order on August 29, 2005, to General Dynamics Government Systems Corporation after a Fair Opportunity competition under FAR part 16.505. The contracting officer for Second Generation Wireless solicited and awarded the delivery order (FA8771-04-D-0007-TF03) as a firm-fixed-price delivery order under NETCENTS indefinite-delivery, indefinite-quantity contract. Six out of eight NETCENTS Primes submitted proposals for the following tasks:

- Field Service Evaluation (FSE)
- Hardware procurement
- Conduct of site surveys
- Preparation of site installation plans
- Installation, integration, test, and support of Second Generation Wireless systems at United States Air Force (USAF) locations world-wide

The Second Generation Wireless effort involves the Field Service Evaluation (FSE), purchase, installation, integration, test, and turn-over of wireless networking systems. The period of performance began at delivery order award and the overall period of performance will not extend beyond 10 September 2010. The period of performance is within the performance period of the NETCENTS contract vehicle.

The following activities were also accomplished in regards to this procurement:

- Fall 2004 - Market Research – performed by 753 ELSG
- Jan 2005 - RFP Released
- 11 Jul 05 - 25 Aug 05 - Formal Source Selection
- Multiple government decision briefs to SAF/XC (Mr. Jack) on a monthly basis were held to review and validate the project requirements, validate the contracting approach, acquisition strategy, cost estimates, fielding plan, anticipated funding profile.
- 29 Aug 2005 - Award of Second Generation Wireless Delivery Order

The Second Generation Wireless project was on track to complete all 95 bases by 29 May 2009. The 753 ELSG schedule management process included daily and weekly progress checks and monthly mini-project reviews. The 753 ELSG held weekly Integrated Product Team conference calls with the prime contractor reviewing the status on each base. The integrated master schedule, in turn, was a roll up of the weekly activities and reviewed monthly. To gain further efficiencies, the 753 ELSG had the contractor optimize teams for locations that were within close proximity to one another. This reduced idle time and in turn increased the throughput of individual teams. The number of teams was expanded to 30 install teams in order to perform more work simultaneously. Although the 753 ELSG recognizes the schedule to complete was aggressive, the schedule was being managed commensurate with the risk it represented and steps had been taken to maintain progress in meeting scheduled completion dates. The current status (as of July 2008) includes 28 bases (30%) complete, 3 bases at stop work with incomplete installs, 17 bases with site survey complete awaiting install, and 7 bases at stop work in the middle of site survey (representing a total of 27% in work) with 40 bases left to complete for a total of 95 bases on the delivery order.

As a result of concerns raised by the DoD discussion draft and a subsequent ESC Independent Review Team, the 753 ELSG and 38 EIG first suspended new contract activities on this task order at the beginning of May, and began ending all work culminating with a formal stop work on 17 July. These stop work actions have resulted in the loss of key contractor resources, which is anticipated to impact the efficiencies gained over time, due in part to the release of program partners. Projected claims are expected, but the total amount of such claims is unknown at this time. The ramp-up costs associated with project re-start are unknown at this time. The impact of the current stop work makes the original schedule unachievable.

The Second Generation Wireless project provides a critical mission enhancing system, enabling the F-22, A-10, F-15, F-16, KC-10, KC-135, B-1, B-52, etc. to get bombs on target quicker. As a direct result of the vulnerabilities identified in the First Generation Wireless deployment and in conjunction with increasing security requirements for wireless systems, Second Generation Wireless was commissioned to rapidly provide a vital secure, standardized solution to the warfighter, worldwide. The process of munitions management, aircraft maintenance and aircraft supply tracking, vital to the AF mission, are now dependent on and fully utilize the CITS deployed Second Generation Wireless secure solution. As a result of stopping the deployment of this solution, the AF will continue to operate in a known state of vulnerability by continuing to allow users to leverage existing stop-gap base procured legacy systems.



Inspector General Department of Defense

